

Bay County,
Michigan



Year Ended
December 31,
2017

Comprehensive
Annual
Financial
Report

Prepared by:
Bay County Finance Department

BAY COUNTY, MICHIGAN

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INTRODUCTORY SECTION

THE BOARD OF COMMISSIONERS

THOMAS M. HEREK
CHAIRMAN

MICHAEL J. DURANCZYK
VICE CHAIRMAN

VAUGHN J. BEGICK
SERGEANT AT ARMS

ERNIE KRYGIER
KIM COONAN

TOM RYDER
MICHAEL E. LUTZ

ROBERT REDMOND
FINANCIAL ANALYST

ADMINISTRATION

JAMES A. BARCIA
COUNTY EXECUTIVE

JAN HISTED
FINANCE OFFICER

KIMBERLY PRIESSNITZ
ASSISTANT FINANCE OFFICER

INDEPENDENT AUDITORS
REHMANN ROBSON



**BAY COUNTY
FINANCE/INFORMATION SYSTEMS**

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County Executive

Jan M. Histed
Finance Officer
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Frances A. Moore
Purchasing/Housing Rehab
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Julie A. Coppens
Information Systems Manager
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June 29, 2018

Bay County Board of Commissioners and
Citizens of Bay County, Michigan:

The Comprehensive Annual Financial Report (CAFR) of Bay County, Michigan, for the calendar year ended December 31, 2017, is hereby submitted. State Law requires each municipality within the state of Michigan to file an audit report annually with the Michigan Department of Treasury within six months from the end of its fiscal year. This report was prepared by the Bay County Finance Department.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government based upon a comprehensive framework of internal control that has been established for this purpose. Since the cost of internal control should not exceed anticipated benefits of such controls, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Bay County Board of Commissioners has engaged with Rehmann Robson CPAs & Consultants, Independent Auditors to meet the requirements of the state statutes. The independent auditors' unmodified opinion for the year ended December 31, 2017, is included at the front of the financial section of this report.

As a recipient of federal and state awards, the County is also responsible for ensuring that adequate internal control is in place to allow for compliance with applicable laws and regulations in the Federal Single Audit Act Amendments of 1996 and 2 CFR 200. The internal control is subject to periodic evaluation by management and the independent auditors of the County. These reports are available in Bay County's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Bay County, Michigan, incorporated in 1857, is located approximately 100 miles north of Detroit in the mid-eastern part of the state on the shores of the Saginaw Bay. It occupies 442 square miles and currently serves a population of approximately 104,239. Bay County is the 20th largest of 83 counties in the state of Michigan. Bay County is empowered to levy a property tax on real, personal, and industrial property located within its boundaries.

Pursuant to Act 139 of Public Acts of 1973 (as amended by PA 100 of 1980) (Act 139), the voters of Bay County elected the optional Unified Form of County Government in November of 1978. The form of government established in 1978 is also known as the "county executive" form of government. The Board of Commissioners exercises the legislative power of the county and determines all matters of policy. The Board of Commissioners is composed of seven commissioners who are elected from their respective districts. Each commissioner serves a term of two years. The County Executive is the head of the administrative branch of the county government and is elected at large for a four-year term. The judicial branch of government consists of two Circuit Court judges, three District Court judges, and one Probate Court judge. All judges are elected at large for a six-year term. The Circuit and District Court judges are elected on two-year, staggered terms. The offices of prosecuting attorney, sheriff, county clerk, treasurer, register of deeds, and drain commissioner are elected at large and serve for a four-year term.

Bay County provides a wide range of services, including public safety, health and welfare services, community and economic development, and recreational and cultural activities. Certain financing and oversight services on the construction of Bay County public buildings are provided through the Bay County Building Authority, a blended component unit, which functions, in essence, as a department of Bay County, and therefore has been included as an integral part of Bay County's financial statements. Bay County is also financially accountable for services provided by discretely presented component units of Bay County. These services include the construction and maintenance of the county's system of roads and bridges by the Bay County Road Commission; the providing of services and materials to satisfy the educational, personal, and professional interest of the community by the Bay County Library System; and water supply and wastewater disposal services provided by the Bay County Department of Water and Sewer. In addition, the Bay County Drain Commissioner provides for the construction and maintenance of drainage districts throughout Bay County; the Bay Area Narcotics Enforcement Team combats the proliferation of narcotic trafficking in the eastern mid-Michigan area; the Bay County Economic Development Corporation provides the means and methods to strengthen and revitalize the economy of Bay County and the Land Bank, created to acquire, hold, manage and develop tax foreclosed properties. Additional information on all eight of these legally separate entities can be found in the notes to the financial statements (see note I.A.).

LOCAL ECONOMY AND MAJOR INITIATIVES

The 2010 population census identified the population of Bay County to be 107,771. As of July 1, 2017, the population of Bay County has declined to an estimated 104,239 or just over a 3% reduction from the 2010 census. This declining trend may reverse itself in the next decade based upon the level and diversity of business developments.

The average unemployment rate for Bay County for the year ended December 31, 2017, was 5.6%. This compares with Bay County's rate as of December 31, 2016, of 5.2% and with the December 31, 2017, average nationwide rate of 4.4%, and with the 2017 statewide rate of 4.6%.

Most recently, the county's state equalized values (SEV) of real property have increased 0.30%, 2.47% and 1.83% for 2015, 2016 and 2017 respectively. For 2018, Bay County is projecting an increase of \$49,591,686 or 1.63% in state equalized values of real property which total \$3,099,866,467. The state equalized value of personal property increased by 5.99% in 2015 decreased by 16.51% or \$48,546,556 in 2016 and decreased by 10.55% or \$25,905,401 in 2017. For 2018 Bay County is projecting a decrease of 1.78% in the SEV of personal property which totals \$3,909,028. In total, the County's SEV for both real and personal property is projected to increase 1.40% or \$29,009,812 to \$3,315,567,832.

Residents of Bay County can now cast their vote on new, high-tech voting machines. In August 2017, Bay County and 10 other Michigan counties implemented the new voting equipment with an agreement with the State of Michigan to receive Federal Help America Vote Act (HAVA) of 2002 funding. This equipment is lightweight, compact which makes it easier for election workers to set up. But the best feature would be the modem that allows election workers to electronically transmit voting results from the precincts to the Bay County Building automatically. This makes tallying the County results within an hour or two, shaving many hours off the previous voting process.

The Bay County Animal Control facility worked tirelessly in 2017 to achieve the coveted status of being a "no-kill" shelter. Even though the shelter fell short of the status, more living dogs and cats left the facility alive than in many previous years. A shelter is considered "no kill" when its save rate hits 90 percent, in which Bay County Animal Control boasted a rate of 85.34% for 2017. This rate is an increase from 2016 which ended the year with a 65.81%. A committee was organized and they drafted and implemented a strategic plan identifying areas that needed improvement to reach a goal of saving healthy and treatable dogs and cats, thus reducing the number of animals by spaying and neutering, and increasing our adoption rates. Euthanasia at the facility only occurs for reasons of aggressiveness or illnesses. If an animal has been at the facility for a substantial time, it is transferred to another facility for a better shot at finding a permanent home.

One of the most controversial issues which were brought to light at the end of 2017 is the Bridge Crisis that the City of Bay City is experiencing. Bay City sits on the Saginaw River and is connected by four drawbridges, in which two are owned by the State of Michigan and the remaining two, the Independence Bridge and the Liberty Bridge are locally owned by the City of Bay City. Both of the locally owned bridges are in need of \$9 million in repairs over the next several years, and according to Bay City officials, they do not have the funds to complete the repairs. Funding discussions have risen regarding the possibility of selling the bridges and privatize them (with a possible toll), voting on a county-wide millage and researching grant dollars to help fund the repairs necessary to repair the bridges. This topic will be an ongoing issue and stands to have many consequences on the city and county residents.

In May 2017, the Bay City State Recreation Area, opened a new 312-foot seasonal metal boardwalk off State Park Drive. This boardwalk was funded entirely by the Michigan Department of Natural Resources (DNR) through its phase two of a comprehensive plan for the future of Bay City State Park and Recreation Area. The universally-accessible boardwalk features four benches, a resting platform over the marsh and a ramp that provides a direct route for bike riders, wheelchair users, canoeists and sail boaters to the beach. This boardwalk will be removed in the winter season to prevent damage. Bay County continues to support Beach Wellness and utilizes the State Park for many events and recreational activities. Bay County

strives to improve the quality of life for its residents and promotes continuing tourism to our area.

In 2016, Bay County paid off the county's 1997 Court Refunding Bonds and Ice Arena Bonds. This leaves the county with only one remaining general obligation debt issuance, the Library Refinance bond. The 2018 principal payment on this bond is 1,290,000 and is due in November of 2018. These principal payments continue through the year 2020.

FINANCIAL POLICIES

Relevant Financial Policies

In accordance with the County's General Financial Policy and amended Bay County Ordinance No. 28, which mandates the General Fund establish and maintain a reserve for a long-term advance to the Budget Stabilization Fund at a minimum of 5% to a maximum of now 20% (modified with resolution 2016-202) of the General Fund's current year adopted operating budget. The fund advance at the end of December 31, 2017 was \$6,824,764.32, which is equal to 20.0% of the County's five most recent *General Fund Operating Budgets*. If funds are available, additional advances will be provided in the future. The Budget Stabilization Fund, in accordance with MCL section 141.443, can be used to cover a General Fund, fund deficit, to prevent a reduction in the level of public services or in the number of employees where revenues are not sufficient to cover expenditures, or to cover expenditures arising because of a natural disaster to the extent that such expenditures are not covered by federal or state funds.

The 100% Tax Payment Fund Policy, which governs transfers from the 100% Tax Payment Fund to the General Fund, mandates that a reserve in an amount equal to 20% of the total amount of the most recent delinquent tax settlement with the local taxing units be established within the 100% Tax Payment Fund and that the funds in the reserve shall only be used if necessary to meet the last annual delinquent tax settlement obligations to the local taxing units.

Cash balances are invested according to the Statement of Investment Policy adopted by the Board of Commissioners. The Board of Commissioners has authorized the Bay County Treasurer to invest surplus funds of the county in accordance with those investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, M.C.L. 129.91. During the year, excess cash was invested in interest bearing demand deposit accounts, bank money market investments, commercial paper and bank certificate of deposits in the CDAR's program fully insured. Other investments include debt obligations of the State of Michigan and its' political subdivisions; including, counties, cities, school districts and universities. Additional investments include debt instruments issued by United States Federal Government Sponsored Enterprises, including Federal Home Loan Bank, Federal Home Loan Mortgaging Corporation, Federal National Mortgage Association and Federal Farm Credit Bank.

Budgetary Controls

Bay County prepares, adopts and maintains budgetary controls on an annual basis. Governmental fund types of Bay County are under formal budgetary control. Activities of the General Fund, Special Revenue funds and Debt Service funds are included in the annual appropriated budget. The level of budgetary control, that is, the level at which expenditures cannot legally exceed the appropriated amount, is established on a function level within these individual funds. Capital Project funds are budgeted by project. Enterprise funds and Internal Service funds, which are proprietary funds, and the Pension Trust Fund, Health Care Trust Fund and Private Purpose Trust funds, which are fiduciary funds, are also subject to budgetary controls and are budgeted by function as well.

The Board of Commissioners is authorized to make adjustments to the various budgets as deemed necessary. Elected officials and department/division heads are authorized to amend budgets under their control subject to the provisions of the County's General Appropriation Budget Act Resolution.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to counties, for their Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Bay County, Michigan, received a Certificate of Achievement for its 2014, 2015 and 2016 CAFR dated December 31, 2015, December 31, 2016 and December 31, 2017, after not submitting for the five years previous. We believe that our current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

In addition, the Bay County Health Department has met all standards set by the Michigan Local Public Health Accreditation Program and as of December 2015, has been awarded a three year accreditation which is effective through 2018. This accreditation process looks at a mandatory standards-based system for accrediting local public health departments.

Preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and other County departments, including various elected and appointed officials. We would like to express our appreciation to everyone who assisted in and contributed to the preparation of this report. We would also like to thank the Board of Commissioners for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Sincerely,



Bay County Executive Office
James A. Barcia
County Executive



Bay County Finance Department
Jan Histed
Finance Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Bay County
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

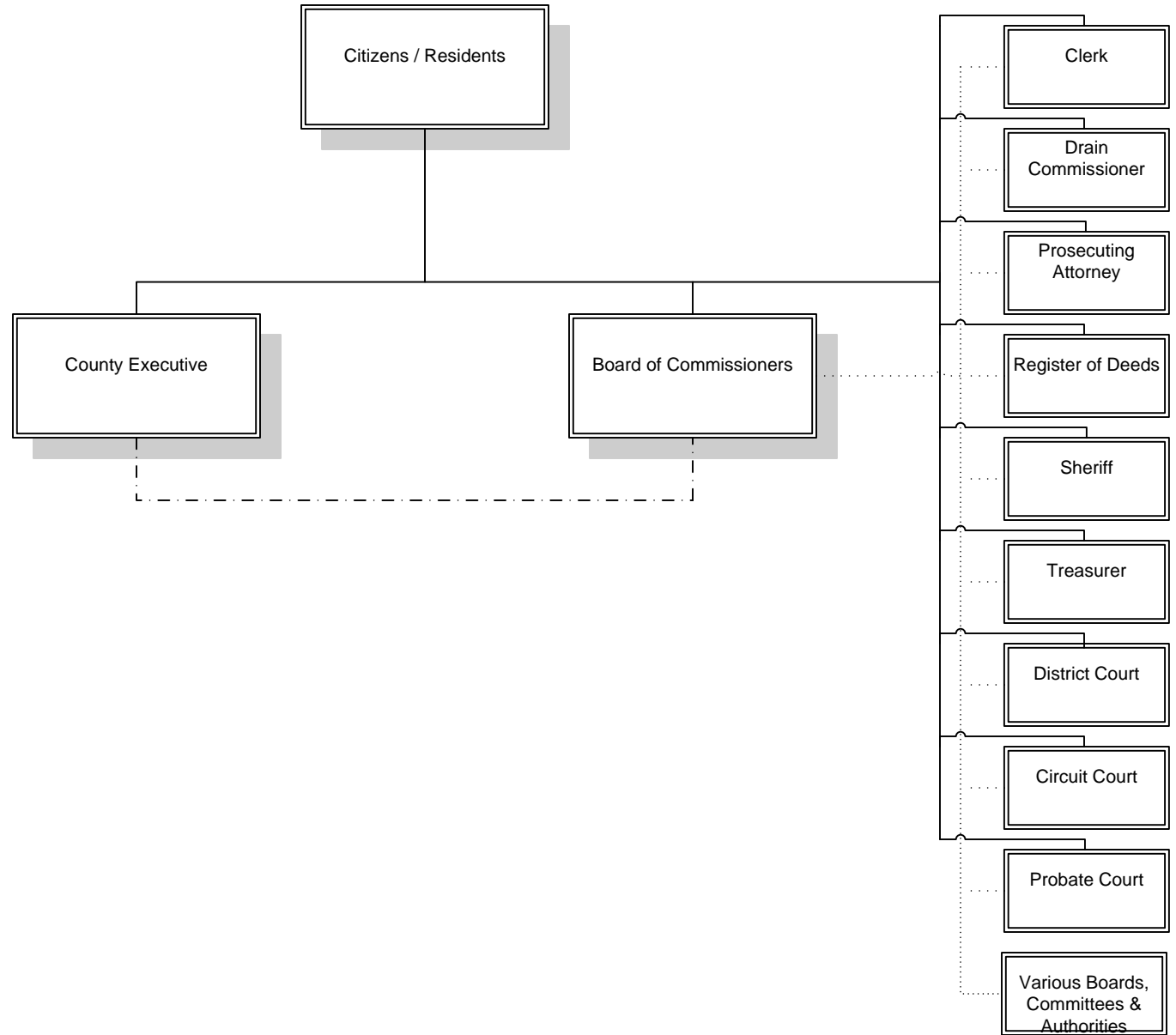
December 31, 2016

Christopher P. Morill

Executive Director/CEO



Bay County Organizational Chart 2017



Legend:

- Direct Control _____
- Coordinated Budget/Personnel, etc.
- Legislative Coordination - - - - -

FINANCIAL SECTION

The Financial Section contains:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Financial Statements and Schedules

INDEPENDENT AUDITORS' REPORT

June 29, 2018

Board of Commissioners
 Bay County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Bay County, Michigan* (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bay County Road Commission component unit, Bay County Department of Water and Sewer component unit, or the Bay County Housing enterprise fund, which represent the indicated percentages of aggregate discretely presented component units and nonmajor enterprise funds total assets and deferred outflows of resources, net position and revenues, as applicable:

	Percent of Total Assets and Deferred Outflows	Percent of Total Net Position	Percent of Total Revenues
Bay County Road Commission	60%	64%	39%
Bay County Department of Water and Sewer	24%	23%	41%
Bay County Housing	66%	70%	37%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bay County Road Commission component unit, Bay County Department of Water and Sewer component unit and the Bay County Housing enterprise fund are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Michigan, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatements

As discussed in Note 18 to the financial statements, the beginning net position for the governmental activities, business-type activities, medical care facility enterprise fund, 100% tax payment enterprise fund, nonmajor enterprise funds, internal service funds, the library system component unit and pension trust fund, were restated to correct an error made in a prior year in the actuarial split of assets held in the Bay County Employees' Retirement Systems' Plan trust. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

As management of Bay County, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$95,201,012 (*net position*). Of this amount, \$2,687,442 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$1,426,762 during the current year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$30,151,626, an increase of \$1,457,056 in comparison with the prior year.
- At the end of the current fiscal year, the general fund had unassigned fund balance of \$2,495,897 or 8.3% of total general fund expenditures. The assigned fund balance for the general fund was \$4,316,507 or 14.4% of total general fund expenditures. Committed fund balance in the general fund was \$6,824,764 for budget stabilization. Nonspendable fund balance was \$1,509,974, which consists mainly of an advance to component unit. Total fund balance for the general fund was \$15,318,426.
- The County's total debt of the primary government decreased by \$2,922,229 or 4.6% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, community and economic development, health and welfare, public works, judicial, legislative, and recreation and culture. The business-type activities of the County include the medical care facility, 100% tax payment, golf course, housing, delinquent property tax foreclosure and commissary.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The government-wide financial statements include not only the County itself (known as the primary government), but also the following component units that are considered legally separate entities; Road Commission, Library System, Department of Water and Sewer, Drain Commission, Bay Area Narcotics Enforcement Team, and Land Bank for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. Financial statements for the Road Commission, Bay Area Narcotics Enforcement, and Department of Water and Sewer were issued separately from the County and other component units. The Bay County Building Authority, although legally separate, functions for all practical purposes as a department of the County and, therefore, has been included as an integral part of the primary government.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, 911 service fund, division on aging fund, mosquito control and water supply capital projects fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general, special revenue and debt service funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The County maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its medical care facility, 100% tax payment, golf course, housing, delinquent property tax foreclosure, and commissary operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Bay County uses internal service funds to account for its self insurance services. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the medical care facility fund and the 100% tax payment fund, each of which are considered to be major funds. Individual fund data for each of these nonmajor enterprise funds and internal service funds are provided in the form of combining statements elsewhere in this report.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the County's progress in funding its obligation to provide pension and other postemployment benefits to its employees. This information can be found in the required supplementary information, as listed in the table of contents.

The combining statements and schedules referred to earlier in connection with nonmajor governmental and proprietary funds, as listed in the table of contents, can be found after the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bay County, as the following table demonstrates, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by \$95,201,012 at the close of the most recent fiscal year. Explanations for significant changes are described below.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 56,232,174	\$ 58,791,164	\$ 35,298,640	\$ 34,898,803	\$ 91,530,814	\$ 93,689,967
Capital assets, net	102,343,901	103,582,192	10,476,374	8,893,264	112,820,275	112,475,456
Total assets	158,576,075	162,373,356	45,775,014	43,792,067	204,351,089	206,165,423
Deferred outflows of resources	9,348,188	7,942,954	5,131,768	5,193,345	14,479,956	13,136,299
Liabilities						
Long-term debt	59,960,643	62,885,245	31,406	29,033	59,992,049	62,914,278
Other liabilities	30,478,880	27,688,702	18,006,506	16,237,559	48,485,386	43,926,261
Total liabilities	90,439,523	90,573,947	18,037,912	16,266,592	108,477,435	106,840,539
Deferred inflows of resources	12,455,950	13,705,869	2,696,648	2,127,540	15,152,598	15,833,409
Net position						
Net investment in capital assets	47,381,569	46,546,825	10,476,374	8,893,263	57,857,943	55,440,088
Restricted	26,347,728	28,384,965	8,307,899	9,803,818	34,655,627	38,188,783
Unrestricted (deficit)	(8,700,507)	(8,895,296)	11,387,949	11,894,199	2,687,442	2,998,903
Total net position	\$ 65,028,790	\$ 66,036,494	\$ 30,172,222	\$ 30,591,280	\$ 95,201,012	\$ 96,627,774

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The largest portion of the County's net position, \$57,857,943 (60.8%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$34,655,627 (36.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,687,442 (2.8%) may be used to meet the government's ongoing obligations to citizens and creditors.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 14,799,263	\$ 14,945,149	\$ 25,507,277	\$ 23,898,809	\$ 40,306,540	\$ 38,843,958
Operating grants and contributions	10,250,852	9,833,588	243,171	157,979	10,494,023	9,991,567
Capital grants and contributions	25,656	25,656	88,601	-	114,257	25,656
General revenues:						
Property taxes	23,431,134	22,882,462	2,322,520	2,108,631	25,753,654	24,991,093
Unrestricted investment earnings	655,718	490,959	433,503	264,719	1,089,221	755,678
Other revenue	276,619	597,064	981,117	236,213	1,257,736	833,277
Total revenues	49,439,242	48,774,878	29,576,189	26,666,351	79,015,431	75,441,229
Expenses						
General government	13,985,259	13,952,801	-	-	13,985,259	13,952,801
Public safety	12,488,375	12,193,917	-	-	12,488,375	12,193,917
Community and economic development	232,762	245,252	-	-	232,762	245,252
Health and welfare	12,231,626	12,318,324	-	-	12,231,626	12,318,324
Public works	3,276,850	3,797,894	-	-	3,276,850	3,797,894
Judicial	7,746,008	7,503,757	-	-	7,746,008	7,503,757
Legislative	420,966	374,520	-	-	420,966	374,520
Recreation and culture	1,928,930	1,566,531	-	-	1,928,930	1,566,531
Interest on long-term debt	80,969	174,749	-	-	80,969	174,749
Medical care facility	-	-	26,173,665	25,660,071	26,173,665	25,660,071
100% tax payment	-	-	186,469	231,929	186,469	231,929
Golf course	-	-	559,004	486,242	559,004	486,242
Housing	-	-	735,110	702,335	735,110	702,335
Delinquent property tax foreclosure	-	-	199,705	169,175	199,705	169,175
Commissary	-	-	196,495	111,213	196,495	111,213
Total expenses	52,391,745	52,127,745	28,050,448	27,360,965	80,442,193	79,488,710

continued...

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Change in net position before transfers	\$ (2,952,503)	\$ (3,352,867)	\$ 1,525,741	\$ (694,614)	\$ (1,426,762)	\$ (4,047,481)
Transfers	1,944,799	1,260,000	(1,944,799)	(1,260,000)	-	-
Change in net position	(1,007,704)	(2,092,867)	(419,058)	(1,954,614)	(1,426,762)	(4,047,481)
Net position:						
Beginning of year	66,036,494	63,605,315	30,591,280	30,710,729	96,627,774	94,316,044
Restatement	-	4,524,046	-	1,835,165	-	6,359,211
Net position, end of year	<u>\$ 65,028,790</u>	<u>\$ 66,036,494</u>	<u>\$ 30,172,222</u>	<u>\$ 30,591,280</u>	<u>\$ 95,201,012</u>	<u>\$ 96,627,774</u>

concluded.

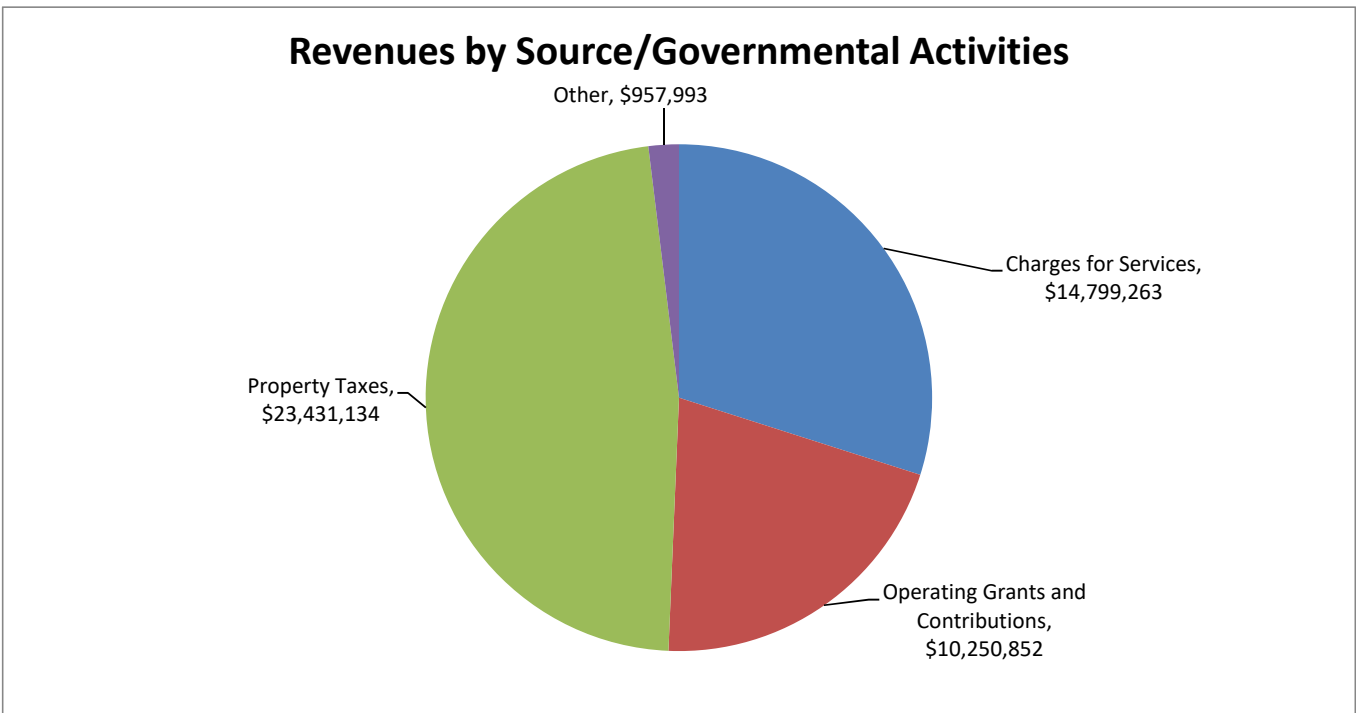
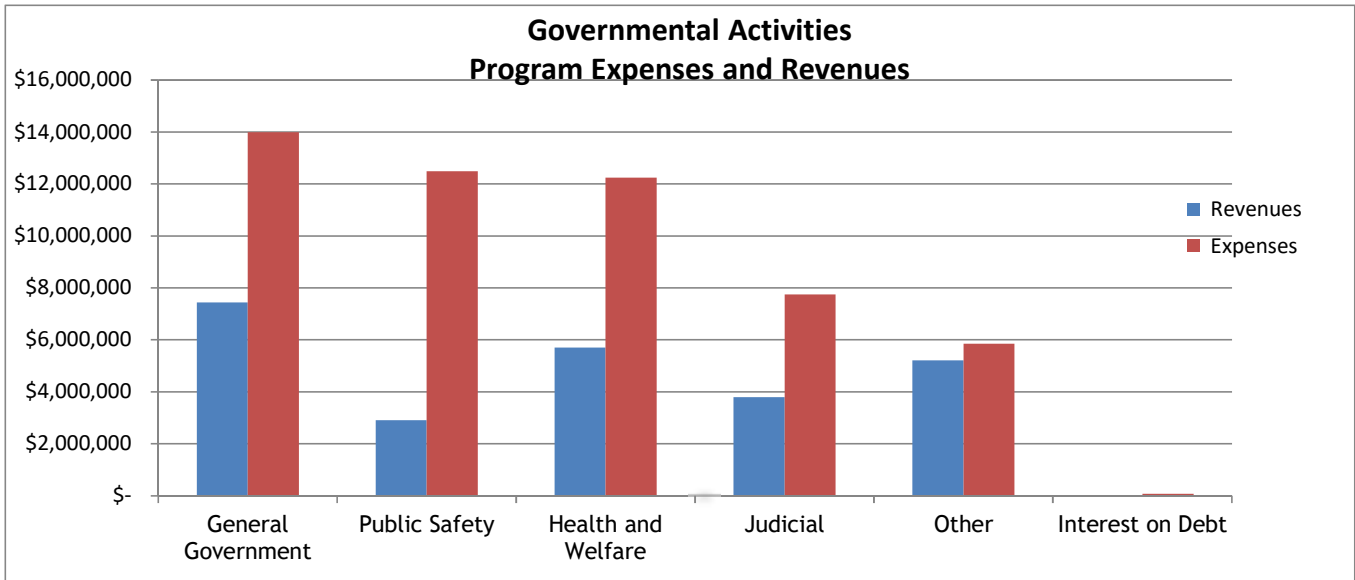
The County's net position decreased \$1,426,762 during the current fiscal year, but the prior year showed a decrease of \$4,047,481. The difference in the County's net position over this two year period is mainly attributable to the reduction in reimbursement revenue of \$320,445 across all governmental funds. Also, public safety has continued to see a rise in healthcare services to the inmates of \$235,684 and the recreation and culture expenditures increased by \$358,797 over 2016 expenditures. This deficit was offset with the receipt of two new revenue sources at the Medical Care Facility. They received a reimbursement from the State of Michigan, Department of Health and Human Services of \$685,190 for Certified Public Expenditures and a Quality Measure Initiative payment of \$129,270 based upon their 5-star ratings from the Centers for Medicare & Medicaid Services. The CPE reimbursement relates to funds the facility expended voluntarily for Medicaid services which were not reimbursed through the Medicaid program.

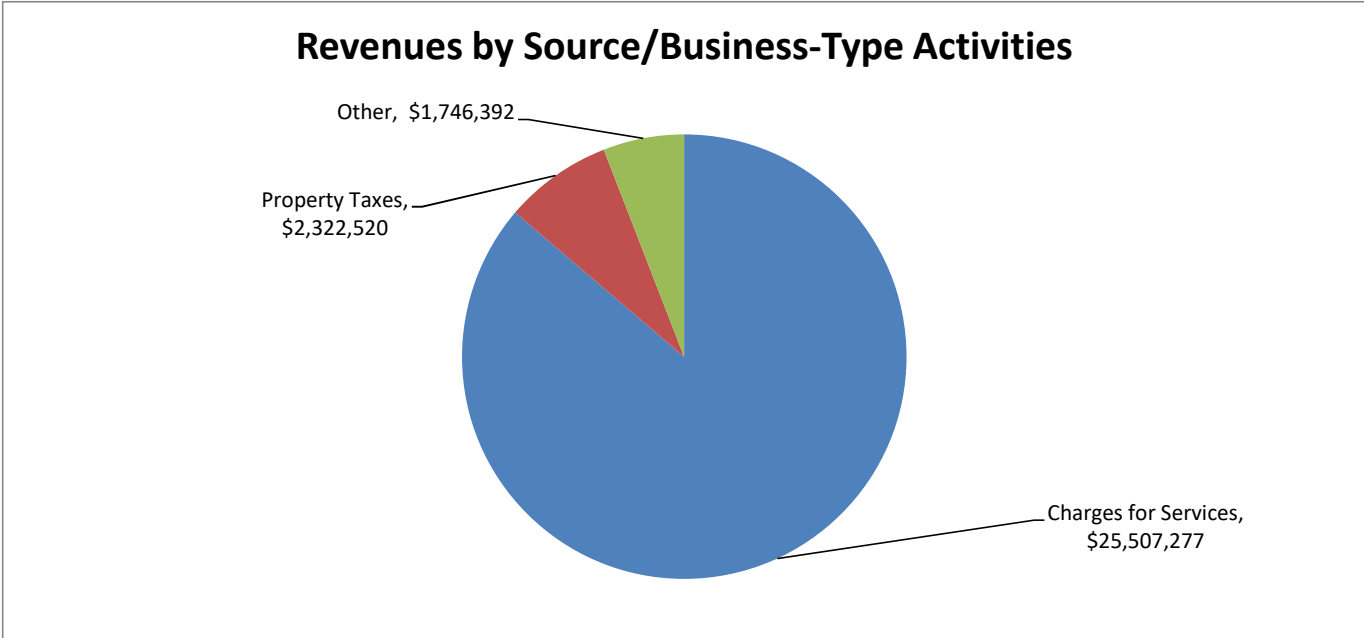
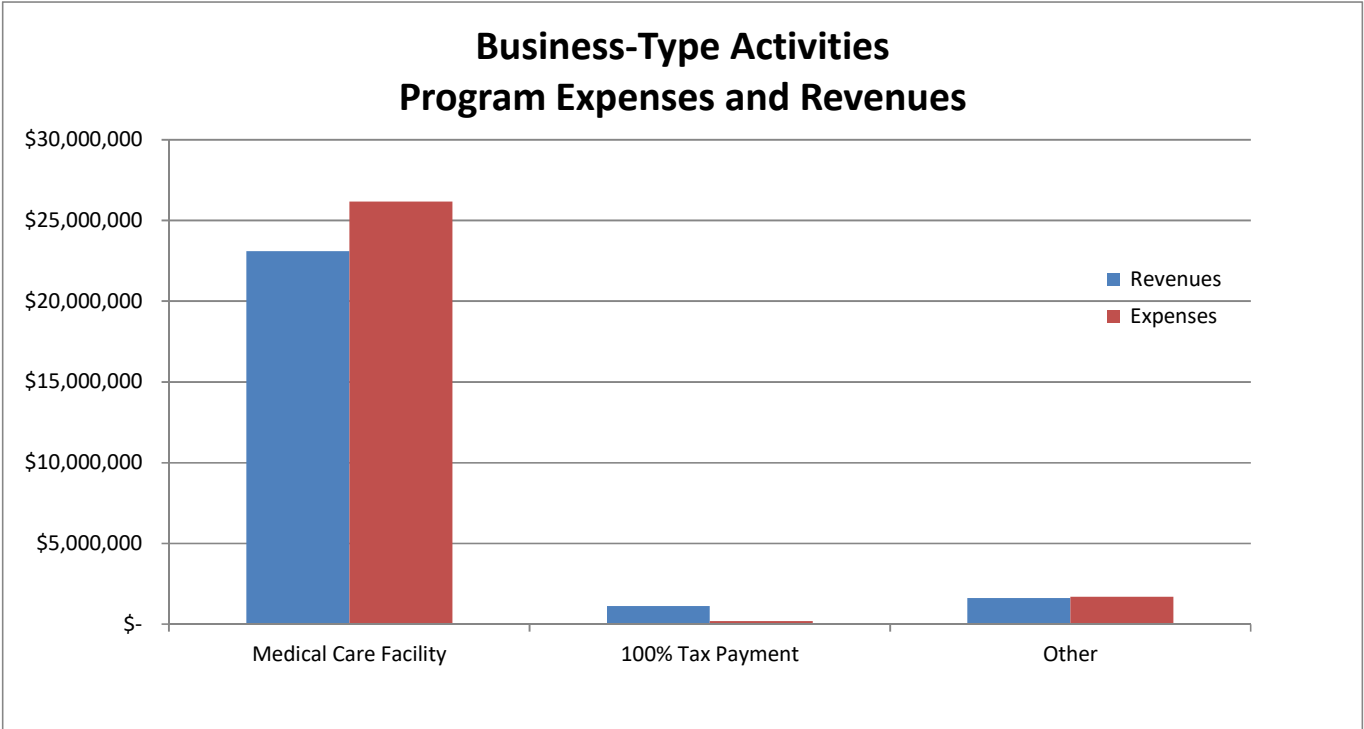
Governmental Activities. The following are key elements to the decrease in the County's governmental activities net position of \$1,007,704. A reduction in other revenue of \$320,445 was made up from a reduction in reimbursement revenue across all governmental funds. Also, public safety continues to see an increase in healthcare services for inmates. The recreation and culture expenditures increased by \$362,399 over 2016, which was primarily related to the purchase of equipment for the recreation facilities. Also, the recreation and culture function saw an increase for the civic arena and swimming pool in the areas of temporary wages, building and equipment repairs and utilities.

Business-Type Activities. Business-type activities decreased the County's net position by \$419,058 compared to a decrease of \$1,954,614 in the prior year. The key element of this decrease was primarily due to an \$80,200 direct purchase of golf carts for the Bay County Golf Course for fiscal year 2017 that did not meet the County's capitalization threshold. Also, as previously discussed, the Medical Care Facility 2017 operations had additional new revenue sources that offset their additional Medicaid expenditures for the year.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis





BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$30,151,626, an increase of \$1,457,056 compared to the prior year. Of this amount, \$6,824,764 is committed fund balance and \$7,237,521 is assigned fund balance. The underlying distinction between the two is that committed fund balance has been designated by the highest level of decision making authority and formal action is needed to establish, modify, or rescind a commitment. An additional \$2,495,897 is unassigned and available for spending at the government's discretion. The remainder of fund balance is not available for new spending and is either nonspendable (\$1,537,068) or restricted (\$12,056,376).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$2,495,897 while total fund balance amounted to \$15,318,426. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 8.3% of total general fund expenditures, while total fund balance represents 51.2% of that same amount.

Fund balance of the County's general fund increased by \$1,341,852 and 911 service fund decreased by \$240,000 during the current fiscal year. The general fund increase was primarily due to an increase in investment appreciation when compared to the prior year. The fund balance decrease in the 911 service fund was due to an increase in public safety expenditures of \$203,414 for new computer hardware and other items. Total fund balance for the general fund and 911 service fund at year end was \$15,318,426 and \$2,227,823, respectively.

The fund balance of the division on aging fund at year end was \$3,015,874, an increase of \$749,904. This increase was the result of extra property tax revenue received during 2017 along with continued cost saving measures with expenditures coming in under budget.

The fund balance of the mosquito control fund at year end was \$416,505, an increase of \$84,930. This increase was the result of additional property tax revenues received in 2017.

The water supply capital projects fund was established to account for the construction of a membrane filtration water treatment plant. As of year end, the fund balance was \$2,896,831, a decrease of \$792,122 over the prior year. This decrease is mainly due to payments made to contractors and professional services related to the construction of the new, and demolition of the old plant.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County has two major proprietary funds.

The medical care facility's net position as of year end, increased \$523,987 to \$19,757,989. This increase was primarily due to increased operating and nonoperating revenue for 2017, which is attributable to reimbursement of Certified Public Expenditures and other similar reimbursements.

The 100% tax payment fund's net position as of as of year end, was \$8,277,849, a decrease of \$745,097. This was the result of additional transfers out of \$750,000 to cover a County-wide phone system and additional computer software.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

General fund budgetary highlights. The differences between the original budget and final amended budget for expenditures resulted in a 3.1% increase \$981,593 in expenditures budget; whereas the difference between the original budget and final amended budget for revenues resulted in a 4.9% increase \$1,484,970 in revenues budget; finally, the original budget for total other financing sources (uses) was amended resulting in a 23.9% increase (\$102,133) in net other financing sources. The original budget shows a decrease of \$1,020,301 in fund balance which was affected by budgetary adjustments. Adjustments of \$605,510 resulted in a budgeted addition to fund balance. The grand total budgeted use of fund balance was \$414,791 for 2017. Significant budgetary differences are briefly summarized as follows:

- A \$168,790 increase in expenditures for 2016 open purchase orders filled in 2017.
- Additional revenue of \$994,372 received from the State of Michigan for the Local Community Stabilization was not included in the original adopted budget.

Significant actual to budget variances are as follows:

- A negative \$679,556 variance in federal grant revenues was primarily the result of the reimbursable friend of the court, drug court and homeland/port security grant expenditures not being incurred to earn the maximum reimbursement allowable on these grants during 2017.
- For 2017, general government expenditures were \$1,641,620 under budget primarily due to \$969,187 of new technology projects, various buildings and grounds projects and the Michigan Natural Resources grant that were fully budgeted for in 2017 but will not be finished until 2018.

Capital Asset and Debt Administration

Capital Assets - The County's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$112,820,275 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 0.3% (a 1.2% decrease for governmental activities and an increase of 17.8% for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Seven new trucks were purchased by mosquito control for a total cost of \$161,868.
- New computer hardware was purchased by 911 central dispatch at a cost of \$153,501.
- Work in progress for the new County-wide phone system began in 2017 and at year end had a cost of \$159,879.
- Capitalized drain improvements made and completed throughout the County totaled \$200,466.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,205,953	\$ 2,205,953	\$ 257,559	\$ 257,559	\$ 2,463,512	\$ 2,463,512
Construction work in progress	59,955,779	59,738,429	3,344,937	1,635,428	63,300,716	61,373,857
Land improvements	810,090	877,130	25,055	37,133	835,145	914,263
Buildings and improvements	35,817,994	37,163,452	5,532,941	5,659,470	41,350,935	42,822,922
Machinery and equipment	1,627,820	1,793,341	443,336	452,869	2,071,156	2,246,210
Office equipment and furniture	1,270,987	1,295,741	825,024	817,238	2,096,011	2,112,979
Vehicles	655,278	508,146	47,522	33,566	702,800	541,712
Total	\$102,343,901	\$103,582,192	\$ 10,476,374	\$ 8,893,263	\$112,820,275	\$112,475,455

Additional information on the County's capital assets can be found in Note 6 to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the County's primary government had total outstanding debt of \$59,992,049. Of this amount, \$4,309,163 is general obligation bonds, net of premiums and discounts. The remainder of the County debt is comprised of revenue bonds, DWRF loans, net of premiums and discounts, and compensated absences.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Primary Government						
General obligation bonds	\$ 4,010,000	\$ 5,255,000	\$ -	\$ -	\$ 4,010,000	\$ 5,255,000
Bond premium	334,740	446,320	-	-	334,740	446,320
Bond discount	(35,577)	(37,000)	-	-	(35,577)	(37,000)
Revenue bonds	29,135,000	29,575,000	-	-	29,135,000	29,575,000
DWRF loans	24,415,000	25,485,000	-	-	24,415,000	25,485,000
Compensated absences	2,101,480	2,160,925	31,406	29,033	2,132,886	2,189,958
Total	\$ 59,960,643	\$ 62,885,245	\$ 31,406	\$ 29,033	\$ 59,992,049	\$ 62,914,278

The County's total gross long-term debt of \$59,992,049 is equivalent to \$576 per capita or 2.2% of the County's taxable value of property of \$2,760,381,937.

The County's total debt decreased \$2,922,229 or 4.6% during the current fiscal year. This decrease is a result of principal payments made during the year of \$2,755,000.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The County's current bond ratings are as follows:

	Moody's	Standard and Poor's
Limited tax obligations	Aa3	AA
Insured limited tax obligations	Aaa	AAA
Unlimited tax obligations	unrated	unrated
Revenue bonds	unrated	AA
Special assessment bonds	unrated	unrated

Current state statutes (Article 7, Section II, Michigan Constitution of 1963) limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The County's current debt limit and margin (amounts expressed in thousands) is as follows:

Debt limit	\$	326,989
Debt margin		265,117
Percent of limit		18.92%

Additional information on the County's long-term debt can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's budget for the 2018 fiscal year:

- All union contracts were settled through the year 2019.
- Continued limiting of capital expenditures.
- Bay County budgeted funding of over \$2.3 million for retiree healthcare insurance trust fund (VEBA). This fund is established to accumulate funds to pay for medical and healthcare benefits for retirees and their beneficiaries.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in Bay County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, Bay County Building, 515 Center Avenue, Suite 701, Bay City, Michigan 48708-5128.

BASIC FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Statement of Net Position

December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 10,027,811	\$ 4,260,459	\$ 14,288,270	\$ 16,911,828
Investments	22,449,550	17,108,283	39,557,833	5,880,129
Receivables	13,773,272	9,827,133	23,600,405	15,580,345
Internal balances	1,682	(1,682)	-	-
Prepaid items and other assets	586,284	176,498	762,782	720,998
Inventories	13,373	66,285	79,658	972,111
Net pension asset	9,380,202	3,861,664	13,241,866	4,086,657
Net other postemployment benefits asset	-	-	-	39,821
Capital assets not being depreciated	62,161,732	3,602,496	65,764,228	36,910,634
Capital assets being depreciated, net	40,182,169	6,873,878	47,056,047	82,356,571
Total assets	158,576,075	45,775,014	204,351,089	163,459,094
Deferred outflows of resources				
Deferred pension amounts	9,348,188	5,131,768	14,479,956	8,487,048
Liabilities				
Accounts payable and accrued liabilities	4,499,904	2,651,110	7,151,014	2,414,898
Unearned revenue	659,742	31,052	690,794	-
Long-term debt:				
Due within one year	3,217,842	1,767	3,219,609	1,179,210
Due in more than one year	56,742,801	29,639	56,772,440	8,129,912
Net other postemployment benefits obligation	25,319,234	15,324,344	40,643,578	11,227,909
Total liabilities	90,439,523	18,037,912	108,477,435	22,951,929
Deferred inflows of resources				
Deferred pension amounts	7,105,843	685,533	7,791,376	801,865
Taxes levied for a subsequent period	5,350,107	2,011,115	7,361,222	5,473,400
Total deferred inflows of resources	12,455,950	2,696,648	15,152,598	6,275,265
Net position				
Net investment in capital assets	47,381,569	10,476,374	57,857,943	114,522,512
Restricted for:				
Pension benefits	11,622,547	8,307,899	19,930,446	9,223,531
Insurance claims	6,079,657	-	6,079,657	-
Health and welfare	2,886,427	-	2,886,427	-
Home rehabilitation	2,253,055	-	2,253,055	-
Pest control	1,226,150	-	1,226,150	-
Other	2,279,892	-	2,279,892	1,962,532
Unrestricted (deficit)	(8,700,507)	11,387,949	2,687,442	17,010,373
Total net position	\$ 65,028,790	\$ 30,172,222	\$ 95,201,012	\$ 142,718,948

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2017

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities:						
General government	\$ 14,536,806	\$ (551,547)	\$ 3,151,200	\$ 4,251,785	\$ 25,656	\$ (6,556,618)
Public safety	12,405,767	82,608	2,132,320	780,449	-	(9,575,606)
Community and economic development	254,443	(21,681)	65,579	308,528	-	141,345
Health and welfare	12,231,626	-	2,851,856	2,860,701	-	(6,519,069)
Public works	3,276,850	-	3,983,015	-	-	706,165
Judicial	7,402,734	343,274	1,767,153	2,037,922	-	(3,940,933)
Legislative	420,966	-	-	-	-	(420,966)
Recreation and culture	1,982,315	(53,385)	848,140	11,467	-	(1,069,323)
Interest on long-term debt	80,969	-	-	-	-	(80,969)
Total governmental activities	52,592,476	(200,731)	14,799,263	10,250,852	25,656	(27,315,974)
Business-type activities:						
Medical care facility	26,156,859	16,806	23,102,724	-	-	(3,070,941)
100% tax payment	163,001	23,468	1,122,439	-	-	935,970
Golf course	499,549	59,455	443,160	-	-	(115,844)
Housing	681,136	53,974	270,771	243,171	88,601	(132,567)
Delinquent property tax foreclosure	177,294	22,411	296,831	-	-	97,126
Commissary	190,511	5,984	271,352	-	-	74,857
Total business-type activities	27,868,350	182,098	25,507,277	243,171	88,601	(2,211,399)
Total primary government	\$ 80,460,826	\$ (18,633)	\$ 40,306,540	\$ 10,494,023	\$ 114,257	\$ (29,527,373)
Component units						
Road Commission	\$ 15,822,264	\$ -	\$ 3,435,564	\$ 11,644,646	\$ -	\$ (742,054)
Library System	6,804,290	2,138	400,968	90,481	72,542	(6,242,437)
Department of Water and Sewer	15,193,947	-	16,069,907	-	-	875,960
Drain Commission	850,863	12,671	8,443	9,958	385,118	(460,015)
Bay Area Narcotics Enforcement Team	444,557	3,824	-	448,874	-	493
Bay County Landbank	32,449	-	209,460	-	-	177,011
Total component units	\$ 39,148,370	\$ 18,633	\$ 20,124,342	\$ 12,193,959	\$ 457,660	\$ (6,391,042)

continued...

BAY COUNTY, MICHIGAN

Statement of Activities For the Year Ended December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (27,315,974)	\$ (2,211,399)	\$ (29,527,373)	\$ (6,391,042)
General revenues:				
Property taxes	23,431,134	2,322,520	25,753,654	6,161,631
Unrestricted investment earnings	655,718	433,503	1,089,221	448,521
Other revenue	276,619	981,117	1,257,736	239,441
Transfers - internal activities	1,944,799	(1,944,799)	-	-
Total general revenues and transfers	26,308,270	1,792,341	28,100,611	6,849,593
Change in net position	(1,007,704)	(419,058)	(1,426,762)	458,551
Net position, beginning of year, as restated	66,036,494	30,591,280	96,627,774	142,260,397
Net position, end of year	\$ 65,028,790	\$ 30,172,222	\$ 95,201,012	\$ 142,718,948

concluded.

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Balance Sheet Governmental Funds December 31, 2017

	Special Revenue Funds			
	General Fund	911 Service	Division on Aging	Mosquito Control
Assets				
Cash and cash equivalents	\$ 229,753	\$ 385,956	\$ 521,166	\$ 120,726
Investments	15,003,854	1,924,718	2,537,810	363,144
Receivables:				
Accounts, net	497,209	89	22,475	3,715
Property taxes, net	1,463,891	1,812,717	1,425,077	1,423,914
Interest	86,046	10,654	12,727	2,170
Due from other governmental units	1,218,796	65,806	64,945	-
Advance to component unit	1,118,748	-	-	-
Inventories	13,373	-	-	-
Due from other funds	1,610	-	-	-
Due from component units	299,782	-	-	-
Prepaid items and other assets	227,853	21,857	-	-
Interfund advances	150,000	-	-	-
Total assets	\$ 20,310,915	\$ 4,221,797	\$ 4,584,200	\$ 1,913,669
Liabilities				
Accounts payable	\$ 976,855	\$ 80,619	\$ 45,128	\$ 9,339
Accrued liabilities	417,803	29,205	28,334	9,676
Accrued vacation and sick pay	72,126	3,589	3,335	1,217
Due to other funds	2,699,503	503	309	109
Due to component units	84,720	-	-	-
Due to other governmental units	36,074	-	-	-
Deposits	2,246	-	-	-
Interfund advances	-	-	-	-
Unearned revenue	63,872	-	13,234	-
Total liabilities	4,353,199	113,916	90,340	20,341
Deferred inflows of resources				
Unavailable revenue - property taxes	639,290	3,016	3,167	2,004
Taxes levied for a subsequent period	-	1,877,042	1,474,819	1,474,819
Total deferred inflows of resources	639,290	1,880,058	1,477,986	1,476,823
Fund balances				
Nonspendable	1,509,974	21,857	-	-
Restricted	171,284	659,022	2,561,235	416,505
Committed	6,824,764	-	-	-
Assigned	4,316,507	1,546,944	454,639	-
Unassigned	2,495,897	-	-	-
Total fund balances	15,318,426	2,227,823	3,015,874	416,505
Total liabilities, deferred inflows of resources and fund balances	\$ 20,310,915	\$ 4,221,797	\$ 4,584,200	\$ 1,913,669

The accompanying notes are an integral part of these financial statements.

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,991,019	\$ 2,586,452	\$ 7,835,072
-	1,275,952	21,105,478
-	2,226,389	2,749,877
-	505,791	6,631,390
-	7,973	119,570
-	1,297,553	2,647,100
-	-	1,118,748
-	-	13,373
-	-	1,610
-	-	299,782
-	5,237	254,947
-	-	150,000
<u>\$ 3,991,019</u>	<u>\$ 7,905,347</u>	<u>\$ 42,926,947</u>
\$ 234,591	\$ 211,575	\$ 1,558,107
859,597	82,986	1,427,601
-	12,946	93,213
-	1,331	2,701,755
-	-	84,720
-	63,153	99,227
-	-	2,246
-	150,000	150,000
-	582,636	659,742
<u>1,094,188</u>	<u>1,104,627</u>	<u>6,776,611</u>
-	1,126	648,603
-	523,427	5,350,107
-	524,553	5,998,710
-	5,237	1,537,068
2,896,831	5,351,499	12,056,376
-	-	6,824,764
-	919,431	7,237,521
-	-	2,495,897
<u>2,896,831</u>	<u>6,276,167</u>	<u>30,151,626</u>
<u>\$ 3,991,019</u>	<u>\$ 7,905,347</u>	<u>\$ 42,926,947</u>

BAY COUNTY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
 To Net Position of Governmental Activities
 December 31, 2017

Fund balances - total governmental funds \$ 30,151,626

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	62,161,732
Capital assets being depreciated, net	40,182,169

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.

Deferred inflow for property taxes receivable	648,603
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Certain pension-related amounts, such as the net pension asset and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension asset	9,375,902
Deferred outflows related to the net pension asset	9,344,426
Deferred inflows related to the net pension asset	(7,103,862)

Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.

6,085,738

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(57,560,000)
Net unamortized bond premium/discount	(299,163)
Accrued interest on long-term debt	(541,115)
Accrued liability to Historical Preservation	(408)
Net other postemployment benefits obligation	(25,316,121)
Compensated absences	(2,100,737)

Net position of governmental activities	\$ 65,028,790
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The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2017

	Special Revenue Funds			
	General Fund	911 Service	Division on Aging	Mosquito Control
Revenues				
Property taxes	\$ 16,634,270	\$ 1,988,988	\$ 2,416,006	\$ 1,563,077
Special assessments	-	-	-	-
Licenses and permits	217,260	-	-	-
Federal	1,790,260	-	631,029	-
State	4,249,719	292,485	18,330	5,726
Interest, rents and royalties	1,183,138	59,567	58,330	10,458
Charges for services	2,796,421	-	37,831	218
Fines and forfeits	580,342	-	-	-
Reimbursements, refunds, and other revenues	3,268,772	2,623	355,985	6,229
Total revenues	30,720,182	2,343,663	3,517,511	1,585,708
Expenditures				
Current:				
General government	10,305,394	-	-	-
Public safety	8,797,103	2,349,355	-	-
Community and economic development	192,251	-	-	-
Health and welfare	833,166	-	2,444,195	1,385,707
Public works	1,215	-	-	-
Judicial	6,272,452	-	-	-
Legislative	412,642	-	-	-
Recreation and culture	1,556,069	-	-	-
Other functions	1,559,145	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	29,929,437	2,349,355	2,444,195	1,385,707
Revenues over (under) expenditures	790,745	(5,692)	1,073,316	200,001
Other financing sources (uses)				
Insurance recoveries/proceeds	22,818	-	12,163	3,022
Transfers in	3,742,148	-	6,200	-
Transfer out	(3,213,859)	(234,308)	(341,775)	(118,093)
Total other financing sources (uses)	551,107	(234,308)	(323,412)	(115,071)
Net change in fund balances	1,341,852	(240,000)	749,904	84,930
Fund balances, beginning of year	13,976,574	2,467,823	2,265,970	331,575
Fund balances, end of year	\$ 15,318,426	\$ 2,227,823	\$ 3,015,874	\$ 416,505

The accompanying notes are an integral part of these financial statements.

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 838,703	\$ 23,441,044
-	3,980,000	3,980,000
-	294,018	511,278
-	1,614,615	4,035,904
-	715,880	5,282,140
26,488	59,773	1,397,754
-	111,575	2,946,045
-	6,623	586,965
-	3,763,369	7,396,978
<u>26,488</u>	<u>11,384,556</u>	<u>49,578,108</u>
-	334,324	10,639,718
-	224,395	11,370,853
-	38,817	231,068
-	6,739,691	11,402,759
778,575	-	779,790
-	159,690	6,432,142
-	-	412,642
-	270,595	1,826,664
-	-	1,559,145
40,035	-	40,035
-	2,755,000	2,755,000
-	2,665,225	2,665,225
<u>818,610</u>	<u>13,187,737</u>	<u>50,115,041</u>
<u>(792,122)</u>	<u>(1,803,181)</u>	<u>(536,933)</u>
-	-	38,003
-	3,127,459	6,875,807
-	(1,011,786)	(4,919,821)
-	2,115,673	1,993,989
<u>(792,122)</u>	<u>312,492</u>	<u>1,457,056</u>
<u>3,688,953</u>	<u>5,963,675</u>	<u>28,694,570</u>
<u>\$ 2,896,831</u>	<u>\$ 6,276,167</u>	<u>\$ 30,151,626</u>

BAY COUNTY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
 To Change in Net Position of Governmental Activities
 For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ 1,457,056

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	963,571
Depreciation	(2,196,426)
Loss on disposal of capital assets	(5,436)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in deferred property taxes receivable	(9,910)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	2,755,000
Amortization of bond premium/discount	110,157

Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The net increase (decrease) in net position of the internal service funds is reported with governmental activities.

Net operating loss from governmental activities internal service funds	(466,541)
Interest revenue from governmental activities internal service funds	34,485
Transfers out of governmental activities internal service funds	(11,187)

Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension asset and related deferred amounts	(283,124)
Change in accrued interest payable on bonds	19,078
Change in the accrual to Historical Preservation	107
Change in the net other postemployment benefits obligation	(3,433,777)
Change in the accrual for compensated absences	59,243

Change in net position of governmental activities	<u>\$ (1,007,704)</u>
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The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 15,579,465	\$ 16,573,837	\$ 16,634,270	\$ 60,433
Licenses and permits	197,700	197,700	217,260	19,560
Federal	2,285,230	2,469,816	1,790,260	(679,556)
State	4,385,679	4,420,219	4,249,719	(170,500)
Interest, rents and royalties	1,185,263	1,185,263	1,183,138	(2,125)
Charges for services	2,800,291	2,815,791	2,796,421	(19,370)
Fines and forfeits	590,000	590,000	580,342	(9,658)
Reimbursements, refunds, and other revenues	3,311,899	3,567,871	3,268,772	(299,099)
Total revenues	30,335,527	31,820,497	30,720,182	(1,100,315)
Expenditures				
Current:				
General government	11,718,129	11,947,014	10,305,394	(1,641,620)
Public safety	8,889,527	9,369,152	8,797,103	(572,049)
Community and economic development	218,257	323,410	192,251	(131,159)
Health and welfare	835,046	837,546	833,166	(4,380)
Public works	2,300	2,300	1,215	(1,085)
Judicial	6,420,660	6,435,435	6,272,452	(162,983)
Legislative	466,122	516,122	412,642	(103,480)
Recreation and culture	1,717,982	1,816,184	1,556,069	(260,115)
Other functions	1,516,025	1,518,478	1,559,145	40,667
Total expenditures	31,784,048	32,765,641	29,929,437	(2,836,204)
Revenues over (under) expenditures	(1,448,521)	(945,144)	790,745	1,735,889
Other financing sources (uses)				
Insurance recoveries/proceeds	4,600	18,180	22,818	4,638
Transfers in	3,567,174	3,757,682	3,742,148	(15,534)
Transfers out	(3,143,554)	(3,245,509)	(3,213,859)	(31,650)
Total other financing sources (uses)	428,220	530,353	551,107	20,754
Net change in fund balance	(1,020,301)	(414,791)	1,341,852	1,756,643
Fund balance, beginning of year	13,976,574	13,976,574	13,976,574	-
Fund balance, end of year	\$ 12,956,273	\$ 13,561,783	\$ 15,318,426	\$ 1,756,643

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - 911 Service Special Revenue Fund For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,891,843	\$ 1,891,843	\$ 1,988,988	\$ 97,145
State	286,000	286,000	292,485	6,485
Interest, rents and royalties	80,000	80,000	59,567	(20,433)
Reimbursements, refunds, and other revenues	2,264	2,264	2,623	359
Total revenues	2,260,107	2,260,107	2,343,663	83,556
Expenditures				
Current:				
Public safety	2,844,251	3,024,448	2,349,355	(675,093)
Revenues under expenditures	(584,144)	(764,341)	(5,692)	758,649
Other financing uses				
Transfers out	(234,411)	(234,411)	(234,308)	(103)
Net change in fund balance	(818,555)	(998,752)	(240,000)	758,752
Fund balance, beginning of year	2,467,823	2,467,823	2,467,823	-
Fund balance, end of year	\$ 1,649,268	\$ 1,469,071	\$ 2,227,823	\$ 758,752

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Division on Aging Special Revenue Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,162,106	\$ 2,162,106	\$ 2,416,006	\$ 253,900
Federal	621,074	623,862	631,029	7,167
State	10,032	25,916	18,330	(7,586)
Interest, rents and royalties	6,000	6,000	58,330	52,330
Charges for services	45,383	47,883	37,831	(10,052)
Reimbursements, refunds, and other revenues	416,237	416,237	355,985	(60,252)
Total revenues	3,260,832	3,282,004	3,517,511	235,507
Expenditures				
Current:				
Health and welfare	2,780,929	2,849,003	2,444,195	(404,808)
Revenues over expenditures	479,903	433,001	1,073,316	640,315
Other financing sources (uses)				
Insurance recoveries/proceeds	-	-	12,163	12,163
Transfers in	6,200	6,200	6,200	-
Transfers out	(341,662)	(341,775)	(341,775)	-
Total Other financing sources (uses)	(335,462)	(335,575)	(323,412)	12,163
Net change in fund balance	144,441	97,426	749,904	652,478
Fund balance, beginning of year	2,265,970	2,265,970	2,265,970	-
Fund balance, end of year	\$ 2,410,411	\$ 2,363,396	\$ 3,015,874	\$ 652,478

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Mosquito Control Special Revenue Fund For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,486,448	\$ 1,486,448	\$ 1,563,077	\$ 76,629
State	-	-	5,726	5,726
Interest, rents and royalties	12,000	12,000	10,458	(1,542)
Charges for services	-	-	218	218
Reimbursements, refunds, and other revenues	-	-	6,229	6,229
Total revenues	1,498,448	1,498,448	1,585,708	87,260
Expenditures				
Current:				
Health and welfare	1,509,603	1,509,120	1,385,707	(123,413)
Revenues over (under) expenditures	(11,155)	(10,672)	200,001	210,673
Other financing sources (uses)				
Insurance recoveries/proceeds	-	-	3,022	3,022
Transfers out	(117,609)	(118,092)	(118,093)	1
Total Other financing sources (uses)	(117,609)	(118,092)	(115,071)	3,021
Net change in fund balance	(128,764)	(128,764)	84,930	213,694
Fund balance, beginning of year	331,575	331,575	331,575	-
Fund balance, end of year	\$ 202,811	\$ 202,811	\$ 416,505	\$ 213,694

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,928,097	\$ 660,527	\$ 468,871	\$ 4,057,495	\$ 2,192,739
Investments	14,142,420	2,634,723	534,104	17,311,247	1,344,072
Accounts receivable, net of allowance	2,109,654	172,324	40,088	2,322,066	200,350
Property taxes receivable	1,867,190	3,940,641	-	5,807,831	-
Accrued interest receivable	-	717,383	1,757	719,140	6,400
Inventories	59,780	-	6,505	66,285	-
Due from other funds	-	161,929	61,019	222,948	2,701,827
Due from component units	-	-	25,000	25,000	-
Due from other governmental units	814,461	138,635	-	953,096	55
Prepaid items and other assets	162,297	1,323	12,878	176,498	331,337
Total current assets	<u>22,083,899</u>	<u>8,427,485</u>	<u>1,150,222</u>	<u>31,661,606</u>	<u>6,776,780</u>
Noncurrent assets:					
Net pension asset	3,734,798	32,971	93,895	3,861,664	4,300
Capital assets not being depreciated	3,375,025	-	227,471	3,602,496	-
Capital assets being depreciated, net	5,605,537	-	1,268,341	6,873,878	-
Total noncurrent assets	<u>12,715,360</u>	<u>32,971</u>	<u>1,589,707</u>	<u>14,338,038</u>	<u>4,300</u>
Total assets	<u>34,799,259</u>	<u>8,460,456</u>	<u>2,739,929</u>	<u>45,999,644</u>	<u>6,781,080</u>
Deferred outflows of resources					
Deferred pension amounts	<u>5,001,159</u>	<u>34,020</u>	<u>96,589</u>	<u>5,131,768</u>	<u>4,436</u>
Liabilities					
Current liabilities:					
Accounts payable	1,391,227	167	48,342	1,439,736	15
Accrued liabilities	500,652	1,823	73,274	575,749	34,733
Deposits payable	18,269	-	-	18,269	-
Due to other funds	-	62,671	161,959	224,630	-
Due to other governmental units	-	9,450	-	9,450	364
Estimated insurance claims payable	607,906	-	-	607,906	658,155
Unearned revenue	-	-	31,052	31,052	-
Current portion of compensated absences	-	-	1,767	1,767	-
Total current liabilities	<u>2,518,054</u>	<u>74,111</u>	<u>316,394</u>	<u>2,908,559</u>	<u>693,267</u>

continued...

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities (continued)					
Noncurrent liabilities:					
Net other postemployment benefit obligation	\$14,906,042	\$ 108,848	\$ 309,454	\$15,324,344	\$ 3,113
Compensated absences, net of current portion	-	13,314	16,325	29,639	743
Total noncurrent liabilities	<u>14,906,042</u>	<u>122,162</u>	<u>325,779</u>	<u>15,353,983</u>	<u>3,856</u>
Total liabilities	<u>17,424,096</u>	<u>196,273</u>	<u>642,173</u>	<u>18,262,542</u>	<u>697,123</u>
Deferred inflows of resources					
Deferred pension amounts	607,218	20,354	57,961	685,533	2,655
Taxes levied for a subsequent period	2,011,115	-	-	2,011,115	-
Total deferred inflows of resources	<u>2,618,333</u>	<u>20,354</u>	<u>57,961</u>	<u>2,696,648</u>	<u>2,655</u>
Net position					
Investment in capital assets	8,980,562	-	1,495,812	10,476,374	-
Restricted for:					
Pension benefits	8,128,739	46,637	132,523	8,307,899	6,081
Insurance claims	-	-	-	-	6,079,657
Unrestricted	<u>2,648,688</u>	<u>8,231,212</u>	<u>508,049</u>	<u>11,387,949</u>	<u>-</u>
Total net position	<u>\$19,757,989</u>	<u>\$ 8,277,849</u>	<u>\$ 2,136,384</u>	<u>\$30,172,222</u>	<u>\$ 6,085,738</u>

concluded.

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	\$23,069,329	\$ 1,122,439	\$ 1,282,114	\$25,473,882	\$ 6,652,672
Program grants and subsidies	-	-	243,171	243,171	-
Other	-	-	22,903	22,903	-
Total operating revenues	23,069,329	1,122,439	1,548,188	25,739,956	6,652,672
Operating expenses					
Personnel services	19,180,548	147,566	274,247	19,602,361	6,021,101
Supplies	-	5,350	67,492	72,842	-
Other services	6,383,620	33,553	1,101,143	7,518,316	1,098,112
Depreciation	609,497	-	247,432	856,929	-
Total operating expenses	26,173,665	186,469	1,690,314	28,050,448	7,119,213
Operating income (loss)	(3,104,336)	935,970	(142,126)	(2,310,492)	(466,541)
Nonoperating revenues					
Property and other taxes	2,322,520	-	-	2,322,520	-
Reimbursements, refunds and rebates	910,051	-	-	910,051	-
Other income	48,163	-	-	48,163	-
Interest income	314,194	107,003	12,306	433,503	34,485
Investment appreciation	24,147	-	-	24,147	-
Gain on sale of capital assets	9,248	-	-	9,248	-
Total nonoperating revenues	3,628,323	107,003	12,306	3,747,632	34,485
Income (loss) before transfers	523,987	1,042,973	(129,820)	1,437,140	(432,056)
Transfers					
Transfers in	-	161,930	80,200	242,130	-
Transfers out	-	(1,950,000)	(236,929)	(2,186,929)	(11,187)
Net transfers	-	(1,788,070)	(156,729)	(1,944,799)	(11,187)
Change in net position before capital contribution	523,987	(745,097)	(286,549)	(507,659)	(443,243)
Capital contribution	-	-	88,601	88,601	-
Change in net position	523,987	(745,097)	(197,948)	(419,058)	(443,243)
Net position, beginning of year, as restated	19,234,002	9,022,946	2,334,332	30,591,280	6,528,981
Net position, end of year	\$19,757,989	\$ 8,277,849	\$ 2,136,384	\$30,172,222	\$ 6,085,738

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 20,998,466	\$ 1,079,569	\$ 1,365,453	\$ 23,443,488	\$ -
Cash received from interfund services provided	-	-	-	-	5,256,489
Cash received from quality assurance program	1,082,674	-	-	1,082,674	-
Cash payments to suppliers for goods and services	(4,456,064)	(42,782)	(965,002)	(5,463,848)	(761,806)
Cash payments to employees and related taxes and insurance	(16,332,805)	(147,385)	(431,729)	(16,911,919)	(6,126,540)
Other receipts	22,887	-	259,275	282,162	-
Net cash provided by (used in) operating activities	1,315,158	889,402	227,997	2,432,557	(1,631,857)
Cash flows from noncapital financing activities					
Taxes received	2,404,120	-	-	2,404,120	-
Change in resident trust deposits	(358)	-	-	(358)	-
Reimbursements, refunds, and rebates	143,753	-	-	143,753	-
Transfers in	-	161,930	80,200	242,130	-
Transfers out	-	(1,950,000)	(236,929)	(2,186,929)	(11,187)
Net cash provided by (used in) noncapital financing activities	2,547,515	(1,788,070)	(156,729)	602,716	(11,187)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	20,520	-	-	20,520	-
Capital contributions	-	-	88,601	88,601	-
Acquisition and construction of capital assets	(2,336,458)	-	(114,854)	(2,451,312)	-
Net cash used in capital and related financing activities	(2,315,938)	-	(26,253)	(2,342,191)	-
Cash flows from investing activities					
Proceeds from sale of investments	-	-	60,090	60,090	-
Purchases of investments	(2,086,263)	297,685	(88,288)	(1,876,866)	(196,478)
Interest received	295,166	86,694	12,630	394,490	33,034
Net cash provided by (used in) investing activities	(1,791,097)	384,379	(15,568)	(1,422,286)	(163,444)
Net change in cash and cash equivalents	(244,362)	(514,289)	29,447	(729,204)	(1,806,488)
Cash and cash equivalents, beginning of year	3,172,459	1,174,816	439,424	4,786,699	3,999,227
Cash and cash equivalents, end of year	\$ 2,928,097	\$ 660,527	\$ 468,871	\$ 4,057,495	\$ 2,192,739

continued...

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Proprietary Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (3,104,336)	\$ 935,970	\$ (142,126)	\$ (2,310,492)	\$ (466,541)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	609,497	-	247,432	856,929	-
Bad debts	70,868	-	-	70,868	-
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable, net	(38,367)	(3,879)	(36,283)	(78,529)	(24,348)
Property tax receivable	-	138,375	-	138,375	-
Inventories	52,416	-	2,342	54,758	-
Due from other funds	-	(161,929)	(49,293)	(211,222)	(1,371,055)
Due from other governmental units	235,196	(64,404)	-	170,792	(12)
Prepaid items and other assets	(87,645)	256	605	(86,784)	385,646
Accounts payable	293,009	(4,990)	18,187	306,206	(49,340)
Accrued liabilities	517,197	(955)	29,961	546,203	10,265
Due to other funds	-	49,822	161,925	211,747	(780)
Due to other governmental units	-	(24,009)	-	(24,009)	364
Estimated insurance claims payable	-	-	-	-	(119,247)
Unearned revenue	-	-	191	191	-
Net other postemployment benefit obligation	1,257,868	15,566	(3,161)	1,270,273	3,113
Net pension asset and related deferred amounts	1,509,455	7,107	(1,916)	1,514,646	280
Compensated absences	-	2,472	133	2,605	(202)
Net cash provided by (used in) operating activities	<u>\$ 1,315,158</u>	<u>\$ 889,402</u>	<u>\$ 227,997</u>	<u>\$ 2,432,557</u>	<u>\$ (1,631,857)</u>

concluded.

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2017

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets			
Investments, at fair value:			
Equities	\$ -	\$ 306,161,155	\$ -
Fixed income	-	92,993,488	10,640,617
Money market	-	7,518,506	-
Total investments, at fair value	-	406,673,149	10,640,617
Cash and cash equivalents	91,499	-	3,854,709
Receivables:			
Accounts	-	-	8
Contributions receivable	-	489,132	-
Interest and dividends	-	771,554	-
Total receivables	-	1,260,686	8
Other current assets:			
Prepaid items and other assets	-	1,637,958	-
Net pension asset	-	22,935	-
Due from other governmental units	-	-	346
Due from other agency funds	-	-	22,110
Total other current assets	-	1,660,893	22,456
Total assets	91,499	409,594,728	\$ 14,517,790
Deferred outflows of resources - pensions	-	23,896	
Liabilities			
Accounts payable	17,454	280,113	\$ 88,016
Accrued liabilities	73,100	342,034	404,230
Accrued vacation and sick pay	-	1,593	-
Due to other agency funds	-	-	22,110
Due to component units	-	-	13,351,236
Due to other governmental units	-	-	582,553
Deposits	-	-	67,840
Undistributed taxes	-	-	1,805
Total liabilities	90,554	623,740	\$ 14,517,790
Deferred inflows of resources - pensions	-	14,159	
Net position			
Restricted for:			
Inmates	945	-	
Pension benefits	-	356,495,337	
Postemployment health care benefits	-	52,485,388	
Total net position	\$ 945	\$ 408,980,725	

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2017

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds
Additions		
Investment income:		
Net appreciation in fair value of investments	\$ -	\$ 59,417,662
Interest and dividends	83	6,806,488
Total investment earnings	<u>83</u>	<u>66,224,150</u>
Investment expense	-	(1,940,068)
Net investment income	<u>83</u>	<u>64,284,082</u>
Contributions:		
Employer	-	7,753,172
Plan members	-	2,098,605
Total contributions	<u>-</u>	<u>9,851,777</u>
Other revenue	-	42,257
Total additions	<u>83</u>	<u>74,178,116</u>
Deductions		
Participant benefits (including refunds of contributions)	-	22,444,018
Administrative expenses	-	602,469
Other services	-	-
Total deductions	<u>-</u>	<u>23,046,487</u>
Change in net position	83	51,131,629
Net position		
Beginning of year, as restated	<u>862</u>	<u>357,849,096</u>
End of year	<u>\$ 945</u>	<u>\$ 408,980,725</u>

The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Component Units
December 31, 2017

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Assets				
Cash and cash equivalents	\$ 50,234	\$ 5,755,352	\$ 9,267,747	\$ 896,542
Investments	3,695,348	-	-	2,184,781
Receivables	16,793	5,499,428	3,713,262	1,166,511
Inventories	630,026	-	342,085	-
Due from other governmental units	2,479,900	-	1,825,107	594,723
Due from primary government	-	47,712	-	133,669
Prepaid items and other assets	345,479	113,308	262,211	-
Net other postemployment benefit asset	-	-	39,821	-
Net pension asset	2,440,753	845,107	800,797	-
Capital assets not being depreciated	35,922,151	107,487	499,295	333,173
Capital assets being depreciated, net	52,315,562	2,270,040	23,172,976	4,597,993
Total assets	97,896,246	14,638,434	39,923,301	9,907,392
Deferred outflows of resources				
Deferred pension amounts	5,192,090	1,332,476	1,962,482	-
Liabilities				
Accounts payable and accrued liabilities	358,675	142,592	1,209,682	36,088
Due to other governmental units	298,185	-	-	-
Due to primary government	-	-	-	297,068
Long-term debt:				
Due within one year	325,000	13,997	684,584	155,629
Due in more than one year	615,311	125,975	6,413,507	975,119
Net other postemployment benefits obligation	10,187,446	1,040,463	-	-
Total liabilities	11,784,617	1,323,027	8,307,773	1,463,904
Deferred inflows of resources				
Deferred pension amounts	404,211	182,684	214,970	-
Taxes levied for a subsequent period	-	5,473,400	-	-
Total deferred inflows of resources	404,211	5,656,084	214,970	-
Net position				
Net investment in capital assets	88,237,713	2,377,527	20,058,326	3,800,418
Restricted for:				
Debt service	-	-	-	221,113
Pension benefits	7,228,632	1,994,899	-	-
Library services	-	1,741,419	-	-
Unrestricted (deficit)	(4,566,837)	2,877,954	13,304,714	4,421,957
Total net position	\$ 90,899,508	\$ 8,991,799	\$ 33,363,040	\$ 8,443,488

The accompanying notes are an integral part of these financial statements.

Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 769,850	\$ 172,103	\$ 16,911,828
-	-	5,880,129
103,240	-	10,499,234
-	-	972,111
-	-	4,899,730
-	-	181,381
-	-	720,998
-	-	39,821
-	-	4,086,657
-	48,528	36,910,634
-	-	82,356,571
<u>873,090</u>	<u>220,631</u>	<u>163,459,094</u>
-	-	8,487,048
47,608	-	1,794,645
-	-	298,185
-	25,000	322,068
-	-	1,179,210
-	-	8,129,912
-	-	11,227,909
<u>47,608</u>	<u>25,000</u>	<u>22,951,929</u>
-	-	801,865
-	-	5,473,400
-	-	6,275,265
-	48,528	114,522,512
-	-	221,113
-	-	9,223,531
-	-	1,741,419
<u>825,482</u>	<u>147,103</u>	<u>17,010,373</u>
<u>\$ 825,482</u>	<u>\$ 195,631</u>	<u>\$ 142,718,948</u>

BAY COUNTY, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended December 31, 2017

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units						
Road Commission						
Governmental activities:						
Highways and streets	\$ 15,822,264	\$ -	\$ 3,435,564	\$ 11,644,646	\$ -	\$ (742,054)
Library System						
Governmental activities:						
Recreation and culture	6,804,290	2,138	400,968	90,481	72,542	(6,242,437)
Department of Water and Sewer						
Business-type activities:						
Water	10,229,837	-	11,085,129	-	-	855,292
Sewer	4,964,110	-	4,984,778	-	-	20,668
Total Department of Water and Sewer	15,193,947	-	16,069,907	-	-	875,960
Drain Commission						
Governmental activities:						
Public works	815,920	12,671	8,443	9,958	385,118	(425,072)
Interest on long-term debt	34,943	-	-	-	-	(34,943)
Total Drain Commission	850,863	12,671	8,443	9,958	385,118	(460,015)
Bay Area Narcotics Enforcement Team						
Governmental activities:						
Public safety	444,557	3,824	-	448,874	-	493
Bay County Landbank						
Governmental activities:						
General government	32,449	-	209,460	-	-	177,011
Total component units	\$ 39,148,370	\$ 18,633	\$ 20,124,342	\$ 12,193,959	\$ 457,660	\$ (6,391,042)

continued...

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2017

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Change in net position				
Net (expense) revenue	\$ (742,054)	\$ (6,242,437)	\$ 875,960	\$ (460,015)
General revenues:				
Property taxes	-	5,831,302	-	330,329
Unrestricted investment earnings	67,369	141,464	141,028	98,660
Gain on disposal of capital assets	139,150	-	4,543	-
Other revenue	-	-	-	95,545
Total general revenues	206,519	5,972,766	145,571	524,534
Change in net position	(535,535)	(269,671)	1,021,531	64,519
Net position, beginning of year, as restated	91,435,043	9,261,470	32,341,509	8,378,969
Net position, end of year	\$ 90,899,508	\$ 8,991,799	\$ 33,363,040	\$ 8,443,488

The accompanying notes are an integral part of these financial statements.



Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 493	\$ 177,011	\$ (6,391,042)
-	-	6,161,631
-	-	448,521
-	-	143,693
203	-	95,748
<u>203</u>	<u>-</u>	<u>6,849,593</u>
696	177,011	458,551
<u>824,786</u>	<u>18,620</u>	<u>142,260,397</u>
<u>\$ 825,482</u>	<u>\$ 195,631</u>	<u>\$ 142,718,948</u>

concluded.

NOTES TO FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bay County, Michigan (the "County") was incorporated in 1857. The County operates under the unified form of government and provides services to its 104,239 residents in many areas, including law enforcement, administration of justice, community enrichment and development, and human services.

The accounting policies of Bay County conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the combined financial statement (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

Bay County Building Authority ("the Building Authority") - The seven-member authority is appointed by the Bay County Board of Commissioners and its activity is dependent upon Board actions. The purpose of the Building Authority is to finance through tax-exempt bonds the construction of public facilities for use by the County, with the bonds secured by lease agreements with, and serviced through lease payments from, the County. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance the construction of the County's public buildings. The Building Authority's activity is recorded in various debt service and capital projects funds.

Discretely Presented Component Units

Bay County Road Commission (the "Road Commission")- The Road Commission is governed by a Board comprised of three elected county-at-large officials who are not members of the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of the Road Commission; however, the nature and significance of the relationship between the primary government and the Road Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. The Road Commission is responsible for the construction and maintenance of the County's system of roads and bridges and is principally funded by state-collected vehicle fuel and registration taxes under Public Act 51. The Road Commission's activities are reported discretely as a governmental fund type. Complete financial statements of the Road Commission can be obtained from its administrative offices at 2600 East Beaver Road, Kawkawlin, Michigan, 48631.

Bay County Library System (the "Library System") - The Library System is governed by a Board comprised of five appointees of the Bay County Board of Commissioners who are not County Board members. The County, which is the Library System's taxing authority, also has appropriation authority, but not budgetary control, over its activities. The Library System provides services and materials in a variety of formats to satisfy the educational, personal, and professional interests of the Bay County community, with funds primarily raised through local property taxes. The Library System's activities are reported discretely as a governmental fund type. Separate financial statements are not prepared for the Library System.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Bay County Department of Water and Sewer (the "Department of Water and Sewer") - The Department of Water and Sewer is governed by a Board consisting of three elected county-at-large officials who are not members of the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of the Department of Water and Sewer; however, the nature and significance of the relationship between the primary government and the Department of Water and Sewer is such that exclusion would cause the reporting entity's financial statements to be misleading. Periodically, the Department of Water and Sewer requests and receives a pledge of the full faith and credit of Bay County as secondary security on bond issues. The Department of Water and Sewer provides a healthful and continuous water supply service and an environmentally sound, convenient, and continuous wastewater disposal service to Bay County communities. The Department of Water and Sewer debt service and capital project activities are reported discretely. Complete financial statements of the Department of Water and Sewer can be obtained from its administrative offices at 3933 Patterson Road, Bay City, Michigan, 48706.

Bay County Drain Commission (the "Drain Commission") - Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The County Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapters 3 and 4 of the Drain Code. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district. The County employs all full-time employees and the elected officials of the Drain Commissioner. The Drain Commissioner deposits its receipts with the County Treasurer. The nature and significance of the relationship between the primary government and the Drain Commissioner is such that exclusion would cause the reporting entity's financial statements to be misleading. Separate financial statements are not prepared for the Drain Commission.

Bay Area Narcotics Enforcement Team ("BAYANET") - BAYANET is governed by a Board who are not members of the Bay County Board of Commissioners. The County has appropriation authority and budgetary control over the activities of BAYANET though the County Board's approval of BAYANET's annual budget and any amendments as well as the monthly expenditures. BAYANET funds are held with the County Treasurer and the County acts as a fiduciary for BAYANET. BAYANET is an instrument of six counties and the State Police formed to organize a multi-jurisdictional/multi-tiered investigative task force designed to singularly combat the proliferation of narcotic trafficking in the eastern Mid-Michigan area. Complete financial statements of BAYANET can be obtained from its administrative offices at P.O. Box 676, Freeland, Michigan 48623, or by viewing it on the Michigan Department of Treasury Website.

Bay County Landbank (the "Landbank") - The Landbank is governed by a Board which consists of the Bay County Treasurer, Bay County Executive, and five other board members appointed by the Bay County Board of Commissioners. The County can impose its will on the Landbank by removing Board members at will. The County does not have appropriation authority or budgetary control over the activities of the Landbank, but utilizes the Landbank to manage its tax-foreclosed and vacant properties. Funds for the Landbank are kept separately from the primary government. The Landbank is a public body corporate organized pursuant to the Michigan Land Bank Authority and the Treasurer of Bay County, Michigan. The Landbank was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties on behalf of Bay County. Separate financial statements are not prepared for the Landbank.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government, and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County reports the following major governmental funds:

The *general fund* is the principal operating fund of Bay County. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *911 service special revenue fund* accounts for revenues received from property taxes and grants to provide countywide central dispatching services for police, fire, and other emergency situations.

The *division on aging special revenue fund* accounts for revenues received from property taxes, federal and state grants, and contributions to provide services and programs for County residents 60 years of age and older.

The *mosquito control special revenue fund* accounts for revenues received from property taxes to provide mosquito control services to County residents.

The *water supply capital projects fund* accounts for capital outlay expenditures for the construction of the County's Bay Area Water Treatment Plant. Financing for the plant is through the State of Michigan Drinking Water Revolving Fund (DWRF) and Local Government Loan Program (LGLP) bonds.

The government reports the following major enterprise funds:

The *medical care facility fund* was established to account for the operations of the facility, which is a licensed skilled nursing home that provides long-term, highly skilled care to the residents of Bay County. Revenues are primarily received from patients, third-party payers, and property taxes.

The *100% tax payment fund* is used to account for advances by the County to other local operating units and County funds for delinquent property taxes. Advances are repaid from collections of delinquent taxes, including interest and collection fees.

Additionally, the County reports the following fund types:

The *special revenue funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* provide insurance coverage for workers' compensation, sickness and accident, unemployment compensation, and health insurance to other departments or agencies of the government on a cost reimbursement basis.

The *private purpose trust funds* account for trust arrangements for the inmate and probate court trust funds, which accumulate resources held in trust for those specific purposes.

The *pension and other employee benefit trust funds* account for the activities of the employees' retirement system and public employee healthcare fund, which accumulate resources for pension and health benefit payments for qualified employees.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The *agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the medical care facility, the 100% tax payment, and nonmajor enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include County management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocating methodologies. These charges are separately reported in the statement of activities. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include certain divisions within public services and parks.

Restricted net position represents amounts that are subject to restrictions beyond the County's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value, as determined by the custodian under the direction of the Board of County Commission, with the assistance of a valuation service.

Receivable and Payables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventory and Prepaids

Inventories are valued at cost using either the first-in, first-out or specific identification method. The costs of inventories are recorded as assets when purchased and charged to expenditures when used, which is the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, which is the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the County), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

	Years
Building and improvements	5-50
Machinery and equipment	3-20
Vehicles	3-7
Office furniture and equipment	3-20
Land improvements (infrastructure)	2-50

In the Drain Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2003. In the Road Commission component unit, infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals, which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have fully been depreciated.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Depreciation is recorded on the capital assets of the Road Commission component unit over the estimated useful lives (ranging from 5 to 50 years) of the assets, using the sum-of-years digits method for road equipment as prescribed by the Uniform Accounting Procedures for Michigan County Road Commissions, which does not vary significantly from the straight-line basis, and straight-line method for all other capital assets.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports deferred outflows of resources for contributions subsequent to the measurement date, changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/services or expenditure on allowable costs.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures when incurred.

Compensated Absences

Bay County, including its component units, except for the Road Commission and Department of Water and Sewer, has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 90 days, except for the Medical Care Facility, which has no limit for accumulating unused sick days. The Road Patrol employees hired before September 15, 1989 and all correctional facility officers may accumulate unused sick days up to a maximum of 120 days. Road patrol employees hired after September 15, 1989 may accumulate a maximum of 90 days. Probate Court employees may accumulate a maximum of 60 unused sick days. Employees may either use these sick days when ill or receive payment for 50 percent of the unused portion at time of retirement, subject to certain limitations. Most employees are also allowed to accumulate unused vacation days, subject to certain limitations. Generally, all employees can accumulate and carry forward a maximum of 30 days; hours accumulated in excess of 30 days must be used by December 31.

Employees of the Road Commission, a component unit, are granted sick leave and vacation in varying amounts, based on administrative policy and contracts with union employees. In accordance with these policies and contracts, individual employees have a vested right upon termination of employment to receive payment of unused sick and vacation. The dollar amount of these vested rights are accrued in the government-wide statements (statement of net position).

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Department of Water and Sewer, a component unit, has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 70 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year.

Compensated Absence Liability Recognition

Accumulated sick and vacation is accrued when incurred in the proprietary funds. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

The long-term portion of unpaid sick and vacation pay that is applicable to governmental fund types is reported in the Statement of Net Position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. Additionally, the County reports deferred inflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has delegated the authority to assign fund balance to the County Administrator/Controller or his/her designee. Unassigned fund balance is the residual classification for the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits general fund balance up to 20 percent of the most recent general fund budget, as originally adopted, or 20 percent of the average of the County's five recent general fund budgets, as amended, whichever is less. The committed fund balance can be used to cover a general fund deficit; to prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when the budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses; to prevent a reduction in the level of public services or in the number of employees when in preparing the budget for the next fiscal year the estimate revenue does not appear sufficient to cover estimated expenses; and to cover expenses arising because of natural disaster. This commitment may be used if one of the several potential qualifying events occurs (as detailed in a Board of Commissioners resolution) and the Board of Commissioners, by 2/3 vote of members present, affirms the qualifying event. As of December 31, 2017, the balance in the stabilization arrangement was \$6,824,764.

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers.

Internal service funds are used and record charges for services to all County departments and funds as operating revenue. All affected County funds record these payments to the Internal service funds as operating expenditures or expenses.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The County utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

2. BUDGETARY INFORMATION

Governmental funds are under formal budgetary control. Capital project funds are budgeted by project. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Ninety days prior to the beginning of the fiscal year, in accordance with the provisions of Public Act 139 of 1963 as amended by Public Act 100 of 1980 and in conformance with Act 2, Public Act 1968 as amended by Act 621 of 1978, the County Executive submits a proposed operating budget to the Ways and Means Committee, which recommends formal adoption by the Bay County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain comments.
3. Prior to January 1, the budget is legally enacted by a budget adopting resolution.

Budgets shown in the financial statements were prepared on the same modified accrual basis that is used to reflect actual results. The Board of Commissioners has legal control over expenditures on a function level for the general fund and all special revenue funds. The circuit, district, and probate courts, have a legal level of control over expenditures is on a total basis (lump sum) encompassing all of their operations. Expenditures are limited to appropriations for each function level of budget data presented. The Board of Commissioners is authorized to make adjustments to the various budgets as deemed necessary. Elected officials and department/division heads are authorized to amend budgets under their control, subject to provisions of the General Appropriation Budget Act Resolution. Such adjustments and amendments have been reflected in the budgeted amounts shown in the financial statements. There were no supplemental appropriations that were deemed material. All appropriations lapse at year-end. Encumbrances that have lapsed are reappropriated. Budgetary expenditures represented by the encumbrances are reflected in the budget in the year that the expenditures are shown in the financial statements.

3. EXCESS OF EXPENDITURES OVER BUDGET

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. Excess of expenditures or transfers out over appropriations individual funds are as follows:

Fund	Appropriations	Actual Expenditures	Excess Expenditures over Appropriations
General Fund:			
Current:			
Other functions	\$ 1,518,478	\$ 1,559,145	\$ 40,667
Friend of the Court:			
Judicial	115,973	116,189	216
Historical Preservation:			
Recreation and culture	258,321	270,595	12,274

The above items represent violations of the County’s budgeting policies. Revenues were sufficient to cover all expenditures.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents and investments as shown in the basic financial statements for the County's deposits and investments is as follows:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 14,288,270	\$ 16,911,828	\$ 31,200,098
Investments	39,557,833	5,880,129	45,437,962
Statement of Fiduciary Net Position			
Pension and other employee benefits trust funds:			
Investments	406,673,149	-	406,673,149
Other fiduciary funds:			
Cash and cash equivalents	3,946,208	-	3,946,208
Investments	10,640,617	-	10,640,617
Total	\$ 475,106,077	\$ 22,791,957	\$ 497,898,034
Deposits and investments			
Bank deposits:			
Checking, savings, and money market			\$ 12,933,020
Investments:			
Equities:			
Convertible equity			1,656,517
Domestic equities			245,935,486
Foreign equities			41,947,958
Private equities			16,621,194
Total equities			306,161,155
Fixed income:			
Asset-backed securities			2,131,905
Commercial mortgage-backed			638,796
Corporate bonds **			34,477,559
Corporate convertible bonds			10,735,410
Government agencies			13,473,937
U.S. treasuries			3,463,618
Government bonds**			31,464,628
Government issued commercial mortgage-backed			232,225
Government mortgage-backed securities			16,954,943
International bonds**			10,253,604
Municipal bonds**			36,132,539
Other fixed income			120,625
Total fixed income			160,079,789
Money market and other similar investments			18,689,021
Total investments			484,929,965
Cash on hand			35,049
Total			\$ 497,898,034

BAY COUNTY, MICHIGAN

Notes To Financial Statements

** The following investments, at fair market value, include call options:

Corporate bonds	\$ 22,381,372
International bonds	5,692,531
Government bonds	17,522,817
Municipal bonds	5,414,691

The County has adopted an official investment policy which is in accordance with investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, Act 196 PA 1997 (the Act). The Act generally allows the County to deposit funds in banks, savings and loan associations, and credit unions in the State of Michigan. The Act also provides for investment in U.S. government obligations; certificates of deposit of banks, savings and loans, and credit unions; commercial paper; repurchase agreements; bankers' acceptances; and, with some restrictions, mutual funds. Pension Trust funds are also allowed to invest in corporate stocks and bonds. Pension Trust fund investments are subject to a number of restrictions as to type, quality and concentration of investments. All investments are reported at fair value.

Investments by type are shown below:

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
Less than 1 year	\$ -	\$ 6,638,201	\$ 3,748,592	\$ 10,386,793
1 - 5 years	-	47,840,446	960,100	48,800,546
6 - 10 years	-	43,223,945	-	43,223,945
More than 10 years	-	35,621,319	-	35,621,319
No maturity	306,161,155	26,755,878	13,980,329	346,897,362
Total	\$ 306,161,155	\$ 160,079,789	\$ 18,689,021	\$ 484,929,965

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
Aaa	\$ -	\$ 58,017,289	\$ 1,134,403	\$ 59,151,692
Aa	-	26,111,519	-	26,111,519
A	5,047,071	19,629,159	-	24,676,230
Baa	1,656,517	19,284,388	491,083	21,431,988
Ba	-	3,551,277	-	3,551,277
B	-	94,719	-	94,719
Not rated	299,457,567	33,391,438	17,063,535	349,912,540
Total	\$ 306,161,155	\$ 160,079,789	\$ 18,689,021	\$ 484,929,965

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments. The County's investment policy does not have specific limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The County's investment policy does not have specific limits on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end \$10,952,431 of the County's bank balance of \$13,218,397 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. However, the County's investment policy states that no more than 60 percent of the County investment portfolio will be invested with a single financial institution. However, while uninsured and unregistered, the County's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the County's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The County's investment policy states that with the exception of U.S. Treasury securities and authorized pools, no more than 60 percent of the County investment portfolio should be invested in a single security type. No single investment represents more than five percent of the County's investments. All investments held at year-end are reported above.

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The County has no policies relating to foreign currency risk. See below and the separately issued pension plan financial statements for foreign currency risk disclosures.

Investments and Securities Lending

A contract approved by the Bay County Board of Commissioners permits the Bay County Employees' Retirement System (the "System") to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives securities or cash as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral securities and cash are initially pledged at 102 percent of the fair value of United States securities lent and 105 percent of the fair value of non-United States securities, and may not fall below 100 percent during the term of the loan.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

There are no restrictions on the amount of the securities that can be loaned. Securities on loan at year-end are classified in the previous schedule of investments according to the category for the collateral received on the securities lent. At year-end the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan. The System did not have any loaned securities as December 31, 2017.

Employees' Retirement System

Please see separate issued report for Employees' Retirement System for required cash and investment disclosures.

Voluntary Employees' Beneficiary Association Trust

The Trust's investments are primarily held in a bank-administered trust fund. Following is a summary of the Trust's investments as of December 31, 2017:

Investments at fair value, as determined by quoted market price:

Equities:	
Domestic equities	\$ 32,713,794
International equities	2,733,297
Total equities	<u>35,447,091</u>
Fixed income:	
Asset-backed securities	1,114,416
Commercial mortgage-backed	638,796
Corporate bonds	5,717,174
Government agencies	2,483,558
Government treasuries	3,463,618
Government mortgage-backed securities	2,202,053
International bonds	48,003
Other fixed income	352,850
Total fixed income	<u>16,020,468</u>
Money market	<u>979,019</u>
Total investments in Voluntary Employees' Beneficiary Association trust	<u>\$ 52,446,578</u>

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

As of December 31, 2017, maturities and Moody's ratings for the Trust's investments were as follows:

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Aaa	\$ -	\$ 9,776,820	\$ -	\$ 9,776,820
Aa	-	1,113,486	-	1,113,486
A	5,047,071	3,327,581	-	8,374,652
Baa	-	1,088,046	491,083	1,579,129
Not rated	30,400,020	714,535	487,936	31,602,491
Total	\$ 35,447,091	\$ 16,020,468	\$ 979,019	\$ 52,446,578

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust's investment policy requires that securities be held in trust by a third-party institution in the Trust's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the Trust's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Trust's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. The Trust's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. At December 31, 2017 the Trust's investment portfolio was not concentrated.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity. As of year end the VEBA did not have any investments subject to interest rate risk.

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The Trust has no policies relating to foreign currency risk. The Trust's exposure to foreign currency risk is summarized as follows:

Investment/Country	Currency	Fair Value (in U.S. Dollars)	
		International Equities	International Fixed Income
Canada	Canadian Dollar	\$ 2,634,056	\$ 48,003
China	Renminbi	40,866	-
France	European Euro	58,375	-
Total		\$ 2,733,297	\$ 48,003

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Fair Value Measurement

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County had the following recurring fair value measurements as of year end:

Investment Type	Level 1	Level 2	Level 3	Total Fair Value
Convertible equity	\$ 1,656,517	\$ -	\$ -	\$ 1,656,517
Domestic equity	245,935,484	-	-	245,935,484
Foreign equities	41,947,958	-	-	41,947,958
Private equities	-	16,621,194	-	16,621,194
Asset-backed securities	1,017,488	1,114,417	-	2,131,905
Commercial mortgage-backed securities	-	638,796	-	638,796
Corporate bonds	34,203,180	274,379	-	34,477,559
Corporate convertible bonds	-	10,735,410	-	10,735,410
Government agencies	2,483,558	10,990,379	-	13,473,937
Government bonds	-	31,464,628	-	31,464,628
U.S. treasuries	3,463,618	-	-	3,463,618
Government issued commercial mortgage-backed securities	-	16,954,943	-	16,954,943
Municipal bonds	-	36,132,539	-	36,132,539
International bonds	10,205,601	48,003	-	10,253,604
Other fixed income	-	352,850	-	352,850
	<u>\$ 340,913,404</u>	<u>\$ 125,327,538</u>	<u>\$ -</u>	<u>466,240,942</u>
Investments carried at amortized cost:				
Money market funds				14,780,751
Certificates of deposit				3,908,272
				<u>\$ 484,929,965</u>

The following is a description of the valuation methodology used for assets recorded at fair value. There have been no changes from the prior year in the methodologies used.

Convertible, domestic and foreign equities, asset-back securities, corporate bonds, government agencies, U.S. Treasuries and international bonds classified as Level 1 of the fair value hierarchy are valued based on quoted market prices in active markets.

Private equities, asset-backed securities, commercial mortgage-backed securities, corporate bonds, corporate convertible bonds, government agencies, government bonds, government issued commercial mortgage-backed securities, other fixed income, international bonds and municipal bonds are classified as Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables in the primary government and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts:			
Current	\$ 1,208,781	\$ 2,445,066	\$ 3,833,295
Noncurrent	2,141,848	-	-
Property taxes	6,863,277	5,807,831	5,473,400
Special assessments:			
Current	-	-	214,184
Noncurrent	-	-	941,916
Interest	125,970	719,140	36,439
Intergovernmental	2,647,155	953,096	4,899,730
Due from component units	299,782	25,000	-
Advance to component unit	1,118,748	-	-
Due from primary government	-	-	181,381
Less: allowance for uncollectible accounts	(632,289)	(123,000)	-
Total	\$ 13,773,272	\$ 9,827,133	\$ 15,580,345

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Resources intended to provide financing for a subsequent period are also reported as deferred inflows of resources.

	Unavailable	Subsequent Years' Resources	Total
Property taxes receivable			
Governmental activities:			
General fund	\$ 639,290	\$ -	\$ 639,290
911 service fund	3,016	1,877,042	1,880,058
Division on aging fund	3,167	1,474,819	1,477,986
Mosquito control fund	2,004	1,474,819	
Nonmajor governmental funds	1,126	523,427	524,553
Total governmental activities	648,603	5,350,107	4,521,887
Business-type activities -			
Medical care facility	-	2,011,115	2,011,115
Component unit -			
Library system	-	5,473,400	5,473,400
Total	\$ 648,603	\$ 12,834,622	\$ 12,006,402

BAY COUNTY, MICHIGAN

Notes To Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 2,205,953	\$ -	\$ -	\$ -	\$ 2,205,953
Construction in progress	59,738,429	217,350	-	-	59,955,779
	<u>61,944,382</u>	<u>217,350</u>	<u>-</u>	<u>-</u>	<u>62,161,732</u>
Capital assets, being depreciated:					
Land improvements	3,634,657	-	-	-	3,634,657
Buildings and improvements	65,906,697	27,530	-	-	65,934,227
Machinery and equipment	4,256,631	78,112	(49,230)	-	4,285,513
Office furniture and equipment	4,370,193	228,638	-	-	4,598,831
Vehicles	2,302,828	411,941	(230,336)	-	2,484,433
	<u>80,471,006</u>	<u>746,221</u>	<u>(279,566)</u>	<u>-</u>	<u>80,937,661</u>
Less accumulated depreciation for:					
Land improvements	(2,757,527)	(67,040)	-	-	(2,824,567)
Buildings and improvements	(28,743,245)	(1,372,988)	-	-	(30,116,233)
Machinery and equipment	(2,463,290)	(242,499)	48,096	-	(2,657,693)
Office furniture and equipment	(3,074,452)	(253,392)	-	-	(3,327,844)
Vehicles	(1,794,682)	(260,507)	226,034	-	(1,829,155)
	<u>(38,833,196)</u>	<u>(2,196,426)</u>	<u>274,130</u>	<u>-</u>	<u>(40,755,492)</u>
Total capital assets being depreciated, net	<u>41,637,810</u>	<u>(1,450,205)</u>	<u>(5,436)</u>	<u>-</u>	<u>40,182,169</u>
Governmental activities capital assets, net	<u>\$ 103,582,192</u>	<u>\$ (1,232,855)</u>	<u>\$ (5,436)</u>	<u>\$ -</u>	<u>\$ 102,343,901</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 257,559	\$ -	\$ -	\$ -	\$ 257,559
Construction in progress	1,635,428	1,852,182	-	(142,673)	3,344,937
	<u>1,892,987</u>	<u>1,852,182</u>	<u>-</u>	<u>(142,673)</u>	<u>3,602,496</u>
Capital assets, being depreciated:					
Land improvements	771,553	-	-	-	771,553
Buildings and improvements	19,414,973	424,025	(148,108)	142,673	19,833,563
Machinery and equipment	1,175,951	19,364	-	-	1,195,315
Office furniture and equipment	2,910,789	120,538	(280,387)	-	2,750,940
Vehicles	128,323	35,203	-	-	163,526
	<u>24,401,589</u>	<u>599,130</u>	<u>(428,495)</u>	<u>142,673</u>	<u>24,714,897</u>
Less accumulated depreciation for:					
Land improvements	(734,420)	(12,078)	-	-	(746,498)
Buildings and improvements	(13,755,503)	(685,394)	140,275	-	(14,300,622)
Machinery and equipment	(723,082)	(28,897)	-	-	(751,979)
Office furniture and equipment	(2,093,551)	(109,313)	276,948	-	(1,925,916)
Vehicles	(94,757)	(21,247)	-	-	(116,004)
	<u>(17,401,313)</u>	<u>(856,929)</u>	<u>417,223</u>	<u>-</u>	<u>(17,841,019)</u>
Total capital assets being depreciated, net	<u>7,000,276</u>	<u>(257,799)</u>	<u>(11,272)</u>	<u>142,673</u>	<u>6,873,878</u>
Business-type activities capital assets, net	<u>\$ 8,893,263</u>	<u>\$ 1,594,383</u>	<u>\$ (11,272)</u>	<u>\$ -</u>	<u>\$ 10,476,374</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation of governmental activities by function	
General government	\$ 1,338,038
Public safety	403,928
Health and welfare	336,840
Judicial	15,312
Recreation and culture	102,308
	<u>\$ 2,196,426</u>

Depreciation of business-type activities by function	
Medical Care Facility	\$ 609,497
Golf Course	33,850
Housing	213,582
	<u>\$ 856,929</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 392,502	\$ -	\$ -	\$ -	\$ 392,502
Land improvements	35,179,057	931	-	-	35,179,988
Right of ways	349,661	-	-	-	349,661
	<u>35,921,220</u>	<u>931</u>	<u>-</u>	<u>-</u>	<u>35,922,151</u>
Capital assets, being depreciated:					
Buildings and improvements	2,786,976	67,639	(171,806)	-	2,682,809
Road equipment	10,828,347	728,028	-	-	11,556,375
Shop equipment	129,671	-	-	-	129,671
Office equipment	201,596	-	(20,559)	-	181,037
Engineering equipment	154,404	-	(16,386)	-	138,018
Yard and storage	1,396,103	15,438	(15,490)	-	1,396,051
Infrastructure:					
Roads	78,171,777	4,351,214	(2,584,253)	-	79,938,738
Bridges	20,722,858	31,697	-	-	20,754,555
Traffic signals	700,550	-	-	-	700,550
	<u>115,092,282</u>	<u>5,194,016</u>	<u>(2,808,494)</u>	<u>-</u>	<u>117,477,804</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,079,254)	(68,282)	171,806	-	(1,975,730)
Road equipment	(9,917,391)	(419,293)	-	-	(10,336,684)
Shop equipment	(108,021)	(8,751)	-	-	(116,772)
Office equipment	(115,182)	(25,292)	20,559	-	(119,915)
Engineering equipment	(121,619)	(10,105)	16,386	-	(115,338)
Yard and storage	(1,257,966)	(31,927)	15,490	-	(1,274,403)
Infrastructure:					
Roads	(38,256,545)	(4,114,769)	2,584,253	-	(39,787,061)
Bridges	(10,519,590)	(429,157)	-	-	(10,948,747)
Traffic signals	(455,654)	(31,938)	-	-	(487,592)
	<u>(62,831,222)</u>	<u>(5,139,514)</u>	<u>2,808,494</u>	<u>-</u>	<u>(65,162,242)</u>
Total capital assets being depreciated, net	<u>52,261,060</u>	<u>54,502</u>	<u>-</u>	<u>-</u>	<u>52,315,562</u>
Road Commission capital assets, net	<u>\$ 88,182,280</u>	<u>\$ 55,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,237,713</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Library System for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 107,487	\$ -	\$ -	\$ -	\$ 107,487
Capital assets, being depreciated:					
Land improvements	103,946	-	-	-	103,946
Buildings and improvements	1,524,065	-	-	-	1,524,065
Machinery and equipment	213,763	-	-	-	213,763
Office furniture and equipment	1,181,760	-	-	-	1,181,760
Books and a/v materials	2,624,360	378,445	(475,577)	-	2,527,228
Vehicles and other	210,186	-	-	-	210,186
	<u>5,858,080</u>	<u>378,445</u>	<u>(475,577)</u>	<u>-</u>	<u>5,760,948</u>
Less accumulated depreciation for:					
Land improvements	(73,418)	(3,272)	-	-	(76,690)
Buildings and improvements	(969,464)	(33,389)	-	-	(1,002,853)
Machinery and equipment	(127,061)	(8,489)	-	-	(135,550)
Office furniture and equipment	(840,035)	(30,368)	-	-	(870,403)
Books and a/v materials	(1,350,693)	(429,756)	475,577	-	(1,304,872)
Vehicles and other	(80,902)	(19,638)	-	-	(100,540)
	<u>(3,441,573)</u>	<u>(524,912)</u>	<u>475,577</u>	<u>-</u>	<u>(3,490,908)</u>
Total capital assets being depreciated, net	<u>2,416,507</u>	<u>(146,467)</u>	<u>-</u>	<u>-</u>	<u>2,270,040</u>
Library System capital assets, net	<u>\$ 2,523,994</u>	<u>\$ (146,467)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,377,527</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Department of Water & Sewer for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 196,284	\$ -	\$ -	\$ -	\$ 196,284
Construction in progress	64,432	303,011	-	(64,432)	303,011
	<u>260,716</u>	<u>303,011</u>	<u>-</u>	<u>(64,432)</u>	<u>499,295</u>
Capital assets, being depreciated:					
Buildings and improvements	14,618,193	-	-	-	14,618,193
Improvements other than buildings	538,301	9,956	-	-	548,257
Machinery and equipment	11,236,371	519,034	(111,653)	-	11,643,752
Water system	4,550,085	-	-	-	4,550,085
Sewer system	27,643,332	706,169	-	64,432	28,413,933
	<u>58,586,282</u>	<u>1,235,159</u>	<u>(111,653)</u>	<u>64,432</u>	<u>59,774,220</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,614,669)	(321,010)	-	-	(9,935,679)
Improvements other than buildings	(353,264)	(44,862)	-	-	(398,126)
Machinery and equipment	(9,357,895)	(390,280)	111,653	-	(9,636,522)
Water system	(2,463,328)	(102,973)	-	-	(2,566,301)
Sewer system	(13,444,947)	(619,669)	-	-	(14,064,616)
	<u>(35,234,103)</u>	<u>(1,478,794)</u>	<u>111,653</u>	<u>-</u>	<u>(36,601,244)</u>
Total capital assets being depreciated, net	<u>23,352,179</u>	<u>(243,635)</u>	<u>-</u>	<u>64,432</u>	<u>23,172,976</u>
Department of Water & Sewer capital assets, net	<u>\$ 23,612,895</u>	<u>\$ 59,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,672,271</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Drain Commission for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 333,173	\$ -	\$ -	\$ -	\$ 333,173
Construction in progress	55,057	-	-	(55,057)	-
	<u>388,230</u>	<u>-</u>	<u>-</u>	<u>(55,057)</u>	<u>333,173</u>
Capital assets, being depreciated:					
Land improvements (infrastructure)	5,510,057	145,409	-	55,057	5,710,523
Buildings	171,681	-	-	-	171,681
Machinery and equipment	763,449	-	-	-	763,449
Office furniture and equipment	18,549	-	-	-	18,549
Vehicles	226,767	-	-	-	226,767
	<u>6,690,503</u>	<u>145,409</u>	<u>-</u>	<u>55,057</u>	<u>6,890,969</u>
Less accumulated depreciation for:					
Land improvements (infrastructure)	(1,266,433)	(224,890)	-	-	(1,491,323)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(372,869)	(43,984)	-	-	(416,853)
Office furniture and equipment	(18,549)	-	-	-	(18,549)
Vehicles	(171,628)	(22,942)	-	-	(194,570)
	<u>(2,001,160)</u>	<u>(291,816)</u>	<u>-</u>	<u>-</u>	<u>(2,292,976)</u>
Total capital assets being depreciated, net	<u>4,689,343</u>	<u>(146,407)</u>	<u>-</u>	<u>55,057</u>	<u>4,597,993</u>
Drain Commission capital assets, net	<u>\$ 5,077,573</u>	<u>\$ (146,407)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,931,166</u>

7. PAYABLES

Accounts payable and accrued liabilities in the primary government and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 1,558,122	\$ 1,439,736	\$ 1,515,947
Wages, fringe benefits and other accrued liabilities	2,097,070	575,749	278,698
Deposits	2,246	18,269	-
Due to other governmental units	99,591	9,450	298,185
Due to component unit	84,720	-	-
Due to primary government	-	-	322,068
Estimated insurance claims payable	658,155	607,906	-
Total	<u>\$ 4,499,904</u>	<u>\$ 2,651,110</u>	<u>\$ 2,414,898</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds
General fund	\$ 1,610	\$ 2,699,503
911 service fund	-	503
Division on aging fund	-	309
Mosquito control fund	-	109
Nonmajor governmental funds	-	1,331
100% tax payment	161,929	62,671
Nonmajor enterprise funds	61,019	161,959
Internal service funds	2,701,827	-
Total	\$ 2,926,385	\$ 2,926,385

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	Advance to Other Funds	Advance From Other Funds
General fund	\$ 150,000	\$ -
Nonmajor governmental funds	-	150,000
Total	\$ 150,000	\$ 150,000

The advance between the general fund and the child care fund was used to assist the fund with cash flow for reimbursable expenditures due from the State of Michigan.

The general fund has a long-term advance of \$1,118,748 to the drain component unit to provide resources for the construction and maintenance of County drains. The drain component unit records this advance within long-term debt. See Note 9 for specific repayment terms.

Transfers Out	Transfers In			
	General Fund	Division on Aging Fund	Nonmajor Governmental Funds	100% Tax Payment
General fund	\$ -	\$ 6,200	\$ 3,127,459	\$ -
911 service fund	234,308	-	-	-
Division on aging fund	341,775	-	-	-
Mosquito control fund	118,093	-	-	-
Nonmajor governmental funds	1,011,786	-	-	-
100% tax payment fund	1,950,000	-	-	-
Nonmajor enterprise funds	74,999	-	-	161,930
Internal service funds	11,187	-	-	-
Total	\$ 3,742,148	\$ 6,200	\$ 3,127,459	\$ 161,930

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BAY COUNTY, MICHIGAN

Notes To Financial Statements

Transfers Out	Transfers In	
	Nonmajor Enterprise Funds	Total
General fund	\$ 80,200	\$ 3,213,859
911 service fund	-	234,308
Division on aging fund	-	341,775
Mosquito control fund	-	118,093
Nonmajor governmental funds	-	1,011,786
100% tax payment fund	-	1,950,000
Nonmajor enterprise funds	-	236,929
Internal service funds	-	11,187
Total	\$ 80,200	\$ 7,117,937

concluded.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Revenue bonds	\$ 29,575,000	\$ -	\$ (440,000)	\$ 29,135,000	\$ 460,000
DWRF Loans	25,485,000	-	(1,070,000)	24,415,000	1,095,000
General obligation bonds	5,255,000	-	(1,245,000)	4,010,000	1,290,000
Deferred amounts:					
Bond premium	446,320	-	(111,580)	334,740	111,580
Bond discount	(37,000)	-	1,423	(35,577)	(1,423)
Total installment debt	60,724,320	-	(2,865,157)	57,859,163	2,955,157
Compensated absences	2,160,925	2,462,755	(2,522,200)	2,101,480	262,685
Total governmental activities	62,885,245	2,462,755	(5,387,357)	59,960,643	3,217,842
Business-type activities -					
Compensated absences	29,033	2,373	-	31,406	1,767
Total primary government	\$ 62,914,278	\$ 2,465,128	\$ (5,387,357)	\$ 59,992,049	\$ 3,219,609

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Component Units					
Road Commission -					
Compensated absences	\$ 881,105	\$ 59,206	\$ -	\$ 940,311	\$ 325,000
Library System -					
Compensated absences	\$ 176,082	\$ 148,849	\$ (184,959)	\$ 139,972	\$ 13,997
Department of Water & Sewer:					
General obligation bonds	\$ 4,575,000	\$ -	\$ (540,000)	\$ 4,035,000	\$ 430,000
Other postemployment benefits and pension payable	3,045,767	-	(219,118)	2,826,649	219,118
Compensated absences	270,900	-	(34,458)	236,442	35,466
Total	\$ 7,891,667	\$ -	\$ (793,576)	\$ 7,098,091	\$ 684,584
Drain Commission-					
Notes payable	\$ 24,000	\$ -	\$ (12,000)	\$ 12,000	\$ 12,000
Advance from primary government	1,258,352	-	(139,604)	1,118,748	143,629
	\$ 1,282,352	\$ -	\$ (151,604)	\$ 1,130,748	\$ 155,629

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end, \$743 of internal service funds compensated absences are included with the governmental activities amounts. Also, for the governmental activities, compensated absences and net other postemployment benefit obligations are generally liquidated by the general fund.

Primary Government

The County issues general obligation bonds, installment purchase contracts, and capital leases to provide funds for the acquisition, renovation, and / or construction of major capital facilities and purchase of major equipment. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds and revenue bonds issued in prior years was \$9,775,000 and \$30,000,000, respectively.

As of December 31, 2017, the total amount drawn on the DWRP loans for the construction of the County's new water distribution plant was \$25,485,000.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. Revenue bonds are secured by the revenue generated by the local municipalities that participate in the Bay Area Water Treatment Plant. The general obligation bonds, revenue bonds, and DWRF loans currently outstanding are as follows:

Purpose	Interest Rates	Amount
General obligation bonds	3.00 - 4.00%	\$ 4,010,000
Revenue bonds	4.00 - 5.25%	29,135,000
DWRF loans	2.00 - 2.50%	24,415,000
Total		<u>\$ 57,560,000</u>

Annual debt service requirements to maturity for general obligation bonds, revenue bonds and DWRF loans are as follows:

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2018	\$ 2,845,000	\$ 2,204,877
2019	2,950,000	2,108,414
2020	3,015,000	2,008,287
2021	1,700,000	1,905,849
2022	1,745,000	1,856,700
2023-2027	9,580,000	8,436,627
2028-2032	11,275,000	6,731,965
2033-2037	11,345,000	4,734,863
2038-2042	10,630,000	2,378,481
2043	2,475,000	128,129
	<u>\$ 57,560,000</u>	<u>\$ 32,494,192</u>

Component Units

Department of Water & Sewer. General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Water & Sewer.

These bonds are direct obligations, and pledge the full faith and credit of the County and the associated municipalities and authorities. The bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General obligation bonds	2.25 - 5.25%	<u>\$ 4,035,000</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for Department of Water and Sewer (DWS) bonds are as follows:

Year Ended December 31,	Principal	Interest
2018	\$ 430,000	\$ 166,788
2019	340,000	150,725
2020	350,000	135,688
2021	240,000	123,269
2022	250,000	113,669
2023-2027	1,420,000	405,557
2028-2030	1,005,000	89,250
	<u>\$ 4,035,000</u>	<u>\$ 1,184,946</u>

The Board of County Road Commissioners of Bay County entered into a cost sharing agreement for the water plant on behalf of the parties of the Water Supply Agreement. As part of this agreement the DWS will pay Bay City the sum of \$143,647 per annum as a partial reimbursement for Bay City's obligation of OPEB liabilities and \$75,471 per annum as a partial reimbursement for Bay City's obligation for Municipal Employees Retirement System (MERS) contributions for retirees and eligible retirees. These annual payments will continue until 2033 and are reported above as OPEB and MERS payable.

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. The original amount of notes and advances outstanding at year end was \$1,514,899.

These notes are direct obligations, and pledge the full faith and credit of the County and the respective drainage districts. Outstanding obligations are as follows:

Purpose	Interest Rates	Amount
Notes payable	2.50 - 4.59%	\$ 12,000
Advance from primary government	3.00%	1,118,748
		<u>\$ 1,130,748</u>

Annual debt service requirements to maturity for notes payable and advances are as follows:

Year Ended December 31,	Principal	Interest
2018	\$ 155,629	\$ 33,041
2019	147,770	28,349
2020	152,030	24,087
2021	156,414	19,703
2022	160,927	15,192
2023-2025	357,978	18,152
	<u>\$ 1,130,748</u>	<u>\$ 138,524</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

10. DEFINED BENEFIT PENSION PLAN

Plan Description - The County maintains an agent multiple employer defined benefit plan, the Bay County Employees' Retirement System (the "Plan"), covering substantially all employees of the primary government. Employees of the County's component units and related organizations, including Road Commission, Library System, Department of Water and Sewer, and Bay Arenac Behavioral Health (BABH), participate in the County's plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan issues stand-alone financial statements, which may be obtained from the County Finance Department.

Death and Disability Benefits - The Plan also provides non-duty death and disability benefits to members after 10 years of credited service. The 10 year service provision is waived for duty disability and death benefits.

Retirement eligibility varies depending on employer, division, and date of hire. Requirements for normal retirement range from age 55 to 60 with 8 years of service to 30 years of service, regardless of age. Early retirement options are also available at age 55 with 8 to 10 years of service or 25 to 30 years of service, regardless of age. The detailed summary annual report (SAR) is distributed annually to all Bay County retirement system members. Membership of the Plan was as follows at December 31, 2017:

	Primary Government	Component Units	Total
Retirees and beneficiaries receiving benefits	653	180	833
Terminated plan members entitled to, but not yet receiving benefits	46	9	55
Active plan members	786	128	914
	<u>1,485</u>	<u>317</u>	<u>1,802</u>

Funding Policy/Contributions - The Plan benefit provisions and contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, who also administers the plan, in accordance with County policies, union contracts, and plan provisions. The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. The current rate is 0% of annual covered payroll for General County, 0% for the Sheriff's Department, 0.27% for Medical Care Facility, 12.83% for Department of Water & Sewer, and 19.19% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2016. The Library division is closed and its annual required contribution was \$57,008. During 2017, the General County made a discretionary 4% monthly contribution into the plan that totaled approximately \$682,000. The Library and BABH also made discretionary contributions of approximately \$13,500 and \$19,500. Plan members contribute at a rate of 4% to 6% of their annual salary.

Contributions received from employer contributions for the year ended December 31, 2017 are as follows:

	Contributions
Primary government	\$ 706,315
Component units	1,078,508
	<u>\$ 1,784,823</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The annual required contribution for the current year was determined as part of the December 31, 2016, actuarial valuation using the individual entry age normal cost method. Rationale for the assumptions used were based on an experience study issued August 1, 2017 for the five-year period ended December 31, 2015. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.25% per year compounded annually, (b) projected salary increases of 3.25% per year pay inflation plus merit and longevity increases ranging from 0.75 to 5.25% per year, depending on years of service, and (c) the assumption that benefits will not increase after retirement. Mortality rates were based on the RP 2014 Combined Healthy Mortality table.

Single Discount Rate. A single discount rate of 7.25% (down from 7.5% in 2016) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term expected real rate of return. The long-term expected rate of return on the Plan's investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return at December 31, 2016 for each major asset class included in the Plan's target asset allocation as disclosed above are summarized as follows:

	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	48.0%	7.5%
International equity	20.0%	8.5%
U.S. fixed income	25.0%	2.5%
Real estate	7.0%	4.5%
	<u>100.0%</u>	

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the County, calculated using the discount rate of 7.25%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.25%) or higher (8.25%) than the current rate:

	One Percent Decrease (6.25%)	Current Discount Rate (7.25%)	One Percent Increase (8.25%)
County's net pension liability (asset) \$	10,417,747	(17,790,986)	(41,534,179)

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Basis of Accounting. Detail information about the Plan's fiduciary net position is available in the separately issued financial statements. The Plan's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Pension Ordinance. Administrative expenses are financed through investment earnings.

Changes in the Net Pension Asset. The components of the change in the net pension asset are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at December 31, 2015	\$ 232,027,868	\$ 253,279,059	\$ (21,251,191)
Changes for the year:			
Service cost	4,033,693	-	4,033,693
Interest	17,018,949	-	17,018,949
Changes in benefits	300,125	-	300,125
Difference between expected and actual experience	(3,434,251)		(3,434,251)
Changes in assumptions	8,000,602	-	8,000,602
Employer contributions	-	1,958,204	(1,958,204)
Employee contributions	-	1,759,828	(1,759,828)
Net investment income	-	19,028,272	(19,028,272)
Benefit payments, including refunds of employee contributions	(14,250,784)	(14,250,784)	-
Administrative expense	-	(287,391)	287,391
Net changes	<u>11,668,334</u>	<u>8,208,129</u>	<u>3,460,205</u>
Balances at December 31, 2016	<u>\$ 243,696,202</u>	<u>\$ 261,487,188</u>	<u>\$ (17,790,986)</u>

The net pension asset is allocated as follows:

Primary government	\$ 13,241,866
Pension Trust Fund	22,935
Component units	4,086,657
Component unit fiduciary funds not included within this report	<u>439,528</u>
	<u>\$ 17,790,986</u>

Net Pension asset. The County's net pension asset was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of the same date.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2017, the County recognized pension expense of \$5,817,640. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 888,386	\$ 2,787,341	\$ (1,898,955)
Change in proportionate share	5,938,716	5,938,044	672
Change in assumptions	6,493,528	-	6,493,528
Net difference between projected and actual earnings on pension plan investments	8,962,534	-	8,962,534
	<u>22,283,164</u>	<u>8,725,385</u>	<u>13,557,779</u>
Contributions subsequent to measurement date	1,784,823	-	1,784,823
	<u>1,784,823</u>	<u>-</u>	<u>1,784,823</u>
Total	\$ 24,067,987	\$ 8,725,385	\$ 15,342,602

The deferred inflows of resources and the deferred outflows of resources are allocated as follows:

Primary government	\$ 14,479,956	\$ 7,791,376	\$ 6,688,580
Pension Trust Fund	23,896	14,159	9,737
Component units	8,487,048	801,865	7,685,183
Component unit fiduciary funds not included within this report	1,077,087	117,985	959,102
	<u>1,077,087</u>	<u>117,985</u>	<u>959,102</u>
Total	\$ 24,067,987	\$ 8,725,385	\$ 15,342,602

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2018	\$ 4,205,714
2019	4,205,715
2020	4,168,803
2021	708,192
2022	269,355
	<u>269,355</u>
Total	\$ 13,557,779

BAY COUNTY, MICHIGAN

Notes To Financial Statements

For the actuarial valuation dated December 31, 2016, the Plan had the following significant assumption changes. Rate of return was reduced to 7.25%, inflation was changed to 2.5%, payroll base increase was changed to 3.25%, lump sum payments for unused sick and vacation were assumed to increase average final compensation by 3.4% to 7.0%, change in mortality tables, and non-investment administration expenses assumed to average 0.5%.

11. POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

The County also sponsors an agent multiple employer retiree healthcare plan through a Voluntary Employees Beneficiary Association (“VEBA”) trust (the “Plan”). The Plan is a defined benefit public retiree healthcare plan established effective October 1, 2001 and covers substantially all employees of the primary government, Employees of the County’s component units and related organizations, including Road Commission, Library System, Department of Water and Sewer, and Bay Arenac Behavioral Health (BABH), participate in the County’s Plan. The purpose of the Plan is to provide medical and healthcare benefits for the welfare of certain retirees of the County and the spouses and dependents of such retirees who are participants in the Bay County Employees’ Retirement System. Benefits under the Plan are provided pursuant to a group contract issued by Blue Cross Blue Shield of Michigan. The County Board of Commissioners has the authority to establish and amend benefit provisions. The Plan does not issue stand-alone financial statements and is not included in the financial report of any other entity. However, BABH is not a part of the reporting entity. The notes to the financial statements do not include any information on BABH but the RSI includes information on the entire plan.

Basis of Accounting - The Plan’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Plan is a contributory defined benefit plan which covers substantially all employees of Bay County as defined above. At December 31, 2015, the date of the latest actuarial valuation, participants in the plan consisted of:

	Primary Government	Component Units	Total
Retired members and beneficiaries:			
Under age 65	139	49	188
Age 65 and over	258	84	342
Active plan members	603	141	744
	<u>1,000</u>	<u>274</u>	<u>1,274</u>

Employees become eligible for postretirement benefits if they reach normal retirement age while working for the County. Benefits for employees begin the first month following their date of retirement.

The insurance for General County retirees is paid for by the employer, with required copayments, if any, determined annually. In addition, some bargaining units’ contracts provide for the County paying 50 percent of the retirees’ current (at the time of retirement) spouses’ insurance. Premiums for all other dependents covered on the policy are at the expense of the retiree. Employees hired after January 1, 2012 are not eligible for this postemployment benefit.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Road Commission, Department of Water and Sewer, and Bay Medical Care Facility retirees have 100 percent of their premiums paid for by the County. The County also pays 100 percent of premiums for spouses of retirees of the Road Commission and Bay Medical Care Facility.

The Library pays 50% of the health insurance premiums for employees who retire between the ages of 60 and 65. Employees who retire at age 65 or later are entitled to 100% employer paid health insurance. Spousal premiums are at the expense of the retiree.

The postretirement benefits are financed on a pay-as-you-go basis. The amount of expenditures for the benefits is recognized during the period incurred. The premiums are paid by the County. Employees make no contribution directly to the County for their share of the expense.

The December 31, 2015, actuarial valuation identified the required employer contribution for the General County of \$4,245,655, based on a percentage of covered payroll and amortization period. Contributions to the Plan for the year-ended December 31, 2017, were \$1,444,739. This amount was contributed as a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the General County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the General County's net OPEB obligation:

Annual required contribution	\$ 5,356,050
Interest on net OPEB obligation	1,113,046
Adjustment to annual required contribution	<u>(1,540,769)</u>
Annual OPEB cost (expense)	4,928,327
Contributions made	<u>(1,444,739)</u>
Increase in net OPEB obligation	3,483,588
Net OPEB obligation, beginning of year	<u>22,253,948</u>
Net OPEB obligation, end of year	<u><u>\$ 25,737,536</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Medical Care Facility - For the year ended December 31, 2017, the Facility, as part of the County's plan, has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2015. The valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2017:

Annual required contribution	\$ 3,320,329
Interest on net OPEB obligation	682,409
Adjustment to annual required contribution	<u>(987,353)</u>
Annual OPEB cost (expense)	3,015,385
Contributions made	<u>(1,757,517)</u>
Increase in net OPEB obligation	1,257,868
Net OPEB obligation, beginning of year	<u>13,648,174</u>
Net OPEB obligation, end of year	<u><u>\$ 14,906,042</u></u>
Primary government net OPEB Obligation Reconciliation	
Governmental activities	\$ 25,319,234
Business-type activities	<u>15,324,344</u>
Primary government net OPEB obligation, end of year	<u><u>\$ 40,643,578</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 6,658,712	51%	\$ 31,189,497
2016	8,222,621	43%	35,902,122
2017	7,943,712	40%	40,643,578

Funded Status and Funding Progress - County. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 18 percent funded. The actuarial accrued liability for benefits was \$116,122,611, and the actuarial value of assets was \$20,961,589, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,161,022.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Assumptions determined below were determined as part of the latest actuarial valuation dated December 31, 2015.

Actuarial cost method	Individual entry age normal cost
Amortization method	Level dollar
Remaining amortization method:	24 to 26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rating return	5.0 percent, net of investment expenses
Projected salary increases*	4.25 percent to 9.5 percent, dependent on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 3.5 percent

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The County also provides life insurance to nonrepresented and certain union retirees, including BCAMPS, USWA Full-time, and USWA Probate Court, as of March 1, 1998. The coverage amount is \$10,000. The Bay Medical Care Facility also provides life insurance to retirees. The coverage amount is either \$2,500, \$3,500, or \$5,000, depending on the terms of the bargaining unit contract in effect at the time the employee retired.

Road Commission

Road Commission participates in the Voluntary Employees Beneficiary Association (“VEBA”) trust through the County of Bay.

The Road Commission’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of 16 years.

The Road Commission’s annual OPEB cost for the year, the amount actuarially contributed, and changes in the net OPEB obligation are as follows:

Annual required contribution	\$ 2,821,742
Interest on net OPEB obligation	435,576
Adjustment to annual required contribution	<u>(656,838)</u>
Annual OPEB cost (expense)	2,600,480
Contributions made	<u>(1,124,546)</u>
Increase in net OPEB obligation	1,475,934
Net OPEB obligation, beginning of year	<u>8,711,512</u>
Net OPEB obligation, end of year	<u><u>\$ 10,187,446</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the previous three years was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 1,989,401	95%	\$ 8,412,380
2016	2,370,730	87%	8,711,512
2017	2,600,480	43%	10,187,446

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 3 percent funded. The actuarial accrued liability for benefits was \$30,689,652, and the actuarial value of assets was \$904,055, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,785,597. The covered payroll (annual payroll for active employee covered by the Plan) was \$3,048,019 and the ratio for the UAAL to the covered payroll was 977%. Additional information and the required supplementary information can be found in the Road Commission's separately issued report.

Library System

Library System participates in the Voluntary Employees Beneficiary Association ("VEBA") trust through the County of Bay.

The following table shows the components of the Library's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the Library's net OPEB obligation:

Annual required contribution	\$ 306,893
Interest on net OPEB obligation	43,201
Adjustment to annual required contribution	<u>(59,821)</u>
Annual OPEB cost (expense)	290,273
Contributions made	<u>(113,838)</u>
Increase in net OPEB obligation	176,435
Net OPEB obligation, beginning of year	<u>864,028</u>
Net OPEB obligation, end of year	<u><u>\$ 1,040,463</u></u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
2015	\$ 336,354	37%	\$ 744,310
2016	240,061	50%	864,028
2017	290,273	39%	1,040,463

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 37 percent funded. The actuarial accrued liability for benefits was \$4,400,759, and the actuarial value of assets was \$1,635,074, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,765,685.

Department of Water and Sewer

Bay County Department of Water and Sewer ("DWS") participates in the Voluntary Employees Beneficiary Association ("VEBA") trust through the County of Bay.

The DWS' annual OPEB cost is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the DWS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the DWS' net OPEB obligation (asset):

Annual required contribution	\$ 672,541
Interest on net OPEB asset	(11,200)
Adjustment to annual required contribution	<u>8,615</u>
Annual OPEB cost (expense)	669,956
Contributions made	<u>(537,109)</u>
Decrease in net OPEB asset	132,847
Net OPEB, beginning of year	<u>(223,999)</u>
Net OPEB, end of year	<u><u>\$ (91,152)</u></u>

The net OPEB asset is allocated as follows:

Component units	\$ (39,821)
Fiduciary funds (not included in this report)	<u>(51,331)</u>
Total	<u><u>\$ (91,152)</u></u>

The DWS's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the previous three years was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Asset
2015	\$ 485,723	97%	\$ (383,612)
2016	649,798	75%	(223,999)
2017	669,956	80%	(91,152)

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 35 percent funded. The actuarial accrued liability for benefits was \$12,870,635, and the actuarial value of assets was \$4,548,660, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,321,975. Additional information and the required supplementary information can be found in the DWS' separately issued report.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

12. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Assets			
Investments, at fair value:			
Equities	\$ 270,714,063	\$ 35,447,092	\$ 306,161,155
Fixed income	76,973,020	16,020,468	92,993,488
Money market	6,539,488	979,018	7,518,506
Total investments	<u>354,226,571</u>	<u>52,446,578</u>	<u>406,673,149</u>
Receivables:			
Contributions	489,132	-	489,132
Interest and dividends	672,034	99,520	771,554
Total receivables	<u>1,161,166</u>	<u>99,520</u>	<u>1,260,686</u>
Other current assets:			
Prepaid items and other assets	1,535,567	102,391	1,637,958
Net pension asset	22,935	-	22,935
Total other current assets	<u>1,558,502</u>	<u>102,391</u>	<u>1,660,893</u>
Total assets	<u>356,946,239</u>	<u>52,648,489</u>	<u>409,594,728</u>
Deferred outflow of resources - pension	<u>23,896</u>	<u>-</u>	<u>23,896</u>
Liabilities			
Accounts payable	279,966	147	280,113
Accrued liabilities	179,080	162,954	342,034
Accrued vacation and sick pay	1,593	-	1,593
Total liabilities	<u>460,639</u>	<u>163,101</u>	<u>623,740</u>
Deferred inflow of resources - pension	<u>14,159</u>	<u>-</u>	<u>14,159</u>
Net position			
Restricted for:			
Employees' retirement system	356,495,337	-	356,495,337
Postemployment health care benefits	-	52,485,388	52,485,388
Total net position	<u>\$ 356,495,337</u>	<u>\$ 52,485,388</u>	<u>\$ 408,980,725</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Plan Changes in Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Additions			
Investment income:			
Net appreciation in fair value of investments	\$ 54,153,293	\$ 5,264,369	\$ 59,417,662
Interest and dividends	6,001,524	804,964	6,806,488
Other revenue	42,257	-	42,257
Less investment expense	(1,769,964)	(170,104)	(1,940,068)
Total investment income	58,427,110	5,899,229	64,326,339
Contributions:			
Employer	2,775,423	4,977,749	7,753,172
Plan members	2,098,605	-	2,098,605
Total contributions	4,874,028	4,977,749	9,851,777
Total additions	63,301,138	10,876,978	74,178,116
Deductions			
Benefit payments	17,764,716	4,679,302	22,444,018
Administrative expenses	553,123	49,346	602,469
Total deductions	18,317,839	4,728,648	23,046,487
Change in net position	44,983,299	6,148,330	51,131,629
Net position, beginning of year, as restated	311,512,038	46,337,058	357,849,096
Net position, end of year	\$ 356,495,337	\$ 52,485,388	\$ 408,980,725

13. SELF-INSURANCE

The County is self-funded for risks associated with workers' compensation, sickness and accident insurance (short-term disability), unemployment compensation and healthcare. The self-insurance program for workers' compensation (except for the Bay County Medical Care Facility enterprise fund), short-term disability and unemployment is accounted for in the Self-Insurance Fund, an internal service fund. Contributions are paid to the Self-Insurance fund as a percentage of payroll, with the rates being determined by an independent actuary. The Bay County Medical Care Facility participates in its own, stand-alone self-insured program for workers' compensation and healthcare benefits. The activity of this program is accounted for in the Medical Care Facility enterprise fund, with claims being paid as they are incurred. The County's self-insurance program for healthcare became effective January 1, 2001, and is accounted for in the Healthcare Self-Insurance Fund, an internal service fund. The contributions which are paid to the Healthcare Self-Insurance Fund are determined by an independent consultant.

For the area of unemployment compensation, the County is categorized as a reimbursing employer in the State of Michigan. Employee sickness and accident benefit limits are established by way of contract negotiations with the County's eleven bargaining units and by the Board of Commissioners for the County's nonrepresented employees.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Specifically in the area of workers' compensation, the County purchases excess insurance to reduce its exposure to significant claim losses. Excess insurance allows recovery of a portion of the losses from the excess insurer, although it does not discharge the primary liability of the Self-Insurance fund as direct insurer of the risks. During 2008, Bay County purchased excess insurance from Citizens Insurance Company of America. The self-insured retention is \$450,000 per occurrence. The maximum limit of indemnity per occurrence is statutory. The employers' liability maximum limit of indemnity is \$1,000,000 per occurrence.

The County estimates the liability for claims that have been incurred through December 31, 2017, including both claims that have been reported as well as those that have not yet been reported and estimates of both future payments of losses and related claim adjustment expenses. Estimated liabilities for unpaid claims are based on historical claim payments, including related legal and administrative expenses. Neither the County nor the Bay Medical Care Facility has experienced settlements in excess of insurance coverage during the past three years.

General Liability

In 2017, the County was self-insured for general liability insurance coverage with Michigan Municipal Risk Management Authority ("MMRMA"). Bay County's contributions to this fund are determined each year by MMRMA based on its review of an application filed by the County, which identifies County assets such as property, vehicles, buildings, and equipment. Bay County's retention levels and policy coverage through MMRMA are as follows:

Coverage	Self Insured Retention (excess of deductible)
Liability	\$150,000
Vehicle Physical Damage \$1,000 deductible per vehicle	\$15,000 per vehicle \$30,000 per occurrence
Property and Crime \$1,000 deductible per occurrence	10% of the remaining up to \$100,000 of loss

Limits of Coverage (including member's self-insured retention per occurrence)

The County's limits of liability coverage range from \$2,000 to \$10,000,000 per occurrence depending on type of occurrence. The County's limits of property and crime coverage range from \$10,000 to \$99,895,006 per occurrence depending on type of occurrence. In addition to the County's coverage from MMRMA, the combined members' have an aggregate \$5,000,000 terrorism liability coverage, \$300,000,000 of aggregate property coverage, a \$100,000,000 earthquake aggregate loss limit, a \$100,000,000 flood aggregate loss limit, and a \$50,000,000 terrorism per occurrence loss limit for all members.

In the area of life insurance, the County is experienced rated and pays premiums to UNUM with whom the County has entered into a contractual agreement.

There have been no significant changes in insurance coverage in the past two years. There have been no claim settlements that have exceeded excess insurance limits.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Changes in the estimated claims liabilities for workers' compensation claims (excluding the Medical Care Facility) for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Claims liability, beginning of year	\$ 400,107	\$ 396,449
Claims incurred, including changes in estimates	25,168	133,969
Claims payments and adjustments	<u>(130,454)</u>	<u>(130,311)</u>
Claims liability, end of year	<u>\$ 294,821</u>	<u>\$ 400,107</u>

Changes in the estimated claims liabilities for workers' compensation claims of the Medical Care Facility for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Claims liability, beginning of year	\$ 24,437	\$ 76,297
Claims incurred, including changes in estimates	143,084	6,641
Claims payments and adjustments	<u>(42,876)</u>	<u>(58,501)</u>
Claims liability, end of year	<u>\$ 124,645</u>	<u>\$ 24,437</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2017 and 2016, are as follows:

	2017	2016
Claims liability, beginning of year	\$ 377,295	\$ 363,367
Claims incurred, including changes in estimates	5,883,487	4,747,304
Claims payments and adjustments	<u>(5,897,448)</u>	<u>(4,733,376)</u>
Claims liability, end of year	<u>\$ 363,334</u>	<u>\$ 377,295</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Medical Care Facility is self-insured for healthcare claims. The Medical Care Facility is covered by a stop-loss policy that covers individual claims over \$15,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2017 and 2016, are as follows:

	2017	2016
Claims liability, beginning of year	\$ 189,379	\$ 150,730
Claims incurred, including changes in estimates	2,909,508	2,054,482
Claims payments and adjustments	<u>(2,963,598)</u>	<u>(2,015,833)</u>
Claims liability, end of year	<u>\$ 135,289</u>	<u>\$ 189,379</u>

General Liability - Road Commission Component Unit

The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability insurance. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Michigan County Road Commission Self-Insurance Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for large claims. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

General Liability - Department of Water and Sewer Component Unit

The Department of Water and Sewer is self-insured for workers' compensation claims. This program is administered by an independent company which furnishes safety inspection, claims review, and claims processing services. The employers' liability maximum limit of indemnity per occurrence is \$1,000,000 and the self-insured retention per occurrence is \$400,000. Net cost for the year ended December 31, 2017, was \$6,714.

The Department of Water and Sewer is further insured for general, automobile, and errors or omissions claims as a member of the Michigan County Road Commission Self-Insurance Pool and is insured for liabilities up to a limit of \$10,500,000 per occurrence, subject to a \$1,000 deductible. The Department of Water and Sewer would be responsible for losses in excess of the limit. Payments made for the year ended December 31, 2017, were \$41,201.

The Department of Water and Sewer is further insured as a member of the Michigan County Road Commission Self-Insurance Pool for building, contents, off-road equipment and licensed vehicles claims and is insured for the lessor of the scheduled value of property or the cost of repairs or replacement, subject to a \$500 deductible. Payments made for the year ended December 31, 2017, were \$224,988.

The Department of Water and Sewer became self-insured for healthcare claims effective February 1, 2006. Blue Cross Blue Shield of Michigan administers the claims and provides \$75,000 specific stop loss coverage in a combined contract with DWS and Bay County Road Commission. Payments made for the year ended December 31, 2017, were \$1,036,208.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

14. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2017 on the taxable valuation of property located in the County as of the preceding December 31. On July or December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next September or February, respectively.

Although the County's 2017 ad valorem tax is levied and collectible by December 1, 2017, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

The taxable value of real and personal property for the December 1, 2016, levy totaled \$2,781,650,950. The taxable value of real and personal property for the July 1, 2017, levy totaled \$2,760,381,937. The tax levy for fiscal year 2017 operations was based on the following rates:

General operating	5.7257 mills
Mosquito control	.5500 mills
911 central dispatch	.7000 mills
County library	1.9953 mills
Senior citizens	.8500 mills
Soldiers' Relief	.1000 mills
Historical society	.0952 mills
Gypsy moth control	.1000 mills

The County annually reimburses the local taxing authorities in Bay County the face value of the real property taxes, which are returned to the County Treasurer on March 1 as delinquent.

Tax Abatements

Industrial property tax abatements are granted by the State of Michigan under public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2017 amounted to \$260,669, related to IFT exemptions.

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), authorizes Brownfield Redevelopment Authorities (BRAs) to facilitate the implementation of Brownfield Plans and associated Work Plans that promote the revitalization, redevelopment, and reuse of contaminated, blighted, functionally obsolete, or historic resources. Act 381 authorizes and permits the use of school and local tax increment financing to help reduce the burden of Brownfield related costs when redeveloping affected properties. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2017 amount to \$432,620, related to brownfield exemptions.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

Generally accepted accounting principles (GAAP) establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Detail information of fund balances of governmental funds is as follows:

	General Fund	911 Service Fund	Division on Aging Fund	Mosquito Control Fund	Water Supply Capital Projects Fund	Nonmajor Funds	Total
Nonspendable:							
Inventory	\$ 13,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,373
Interfund advance	150,000	-	-	-	-	-	150,000
Prepays	227,853	21,857	-	-	-	5,237	254,947
Long-term advance	1,118,748	-	-	-	-	-	1,118,748
Total nonspendable	1,509,974	21,857	-	-	-	5,237	1,537,068
Restricted for:							
General county services	171,284	-	-	-	-	-	171,284
911 services	-	659,022	-	-	-	-	659,022
Division on aging	-	-	2,561,235	-	-	-	2,561,235
Mosquito control	-	-	-	416,505	-	-	416,505
Water supply capital projects	-	-	-	-	2,896,831	-	2,896,831
Friend of the court	-	-	-	-	-	289,171	289,171
Gypsy moth control	-	-	-	-	-	809,645	809,645
Register of deeds	-	-	-	-	-	39,150	39,150
Concealed pistol licensing	-	-	-	-	-	63,354	63,354
Local C.F.O. training	-	-	-	-	-	42,749	42,749
Drug law enforcement	-	-	-	-	-	23,125	23,125
Community corrections	-	-	-	-	-	8,049	8,049
Home rehabilitation	-	-	-	-	-	2,253,055	2,253,055
Child care/social services	-	-	-	-	-	1,125	1,125
Soldiers' relief	-	-	-	-	-	318,830	318,830
Historical preservation	-	-	-	-	-	3,028	3,028
Building authority debt service	-	-	-	-	-	21,824	21,824
Water supply debt service	-	-	-	-	-	1,478,394	1,478,394
Total restricted	171,284	659,022	2,561,235	416,505	2,896,831	5,351,499	12,056,376
Committed for:							
Budget Stabilization	6,824,764	-	-	-	-	-	6,824,764
Assigned for:							
General county services	4,316,507	-	-	-	-	-	4,316,507
911 services	-	1,546,944	-	-	-	-	1,546,944
Division on aging	-	-	454,639	-	-	-	454,639
Health department	-	-	-	-	-	227,251	227,251
Register of deeds automation	-	-	-	-	-	36,317	36,317
Concealed pistol license	-	-	-	-	-	5,780	5,780
Law library	-	-	-	-	-	1,174	1,174
Community corrections	-	-	-	-	-	78,400	78,400
Social welfare	-	-	-	-	-	47,511	47,511
Child care	-	-	-	-	-	507,865	507,865
Child care social/services	-	-	-	-	-	15,133	15,133
Total assigned	4,316,507	1,546,944	454,639	-	-	919,431	7,237,521
Unassigned	2,495,897	-	-	-	-	-	2,495,897
Total fund balances, governmental funds	\$ 15,318,426	\$ 2,227,823	\$ 3,015,874	\$ 416,505	\$ 2,896,831	\$ 6,276,167	\$ 30,151,626

BAY COUNTY, MICHIGAN

Notes To Financial Statements

16. NET POSITION

Restricted Net Position

The composition of the County's restricted net position as of December 31, 2017, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Restricted for:			
Pension benefits	\$ 11,622,547	\$ 8,307,899	\$ 9,223,531
Insurance claims	6,079,657	-	-
Health and welfare	2,886,427	-	-
Home rehabilitation	2,253,055	-	-
Pest control	1,226,150	-	-
Other:			
Public safety	818,156	-	-
Judicial	289,171	-	-
Debt service	959,103	-	221,113
Register of deeds	39,150	-	-
Donor restrictions	174,312	-	-
Library	-	-	1,741,419
	<u>\$ 26,347,728</u>	<u>\$ 8,307,899</u>	<u>\$ 11,186,063</u>

Net Investment in Capital Assets

The composition of net investment in capital assets as of December 31, 2017, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated	\$ 62,161,732	\$ 3,602,496	\$ 36,910,634
Assets being depreciated, net	40,182,169	6,873,878	82,356,571
	<u>102,343,901</u>	<u>10,476,374</u>	<u>119,267,205</u>
Related debt:			
Due within one year	3,217,842	1,767	1,179,210
Due more than one year	56,742,801	29,639	8,129,912
Less:			
Conduit debt	-	-	(421,055)
Compensated absences	(2,101,480)	(31,406)	(1,316,725)
Retiree benefit obligation	-	-	(2,826,649)
Unspent long-term debt proceeds	(2,896,831)	-	-
	<u>54,962,332</u>	<u>-</u>	<u>4,744,693</u>
Net investment in capital assets	<u>\$ 47,381,569</u>	<u>\$ 10,476,374</u>	<u>\$ 114,522,512</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

17. COMMITMENTS, CONTINGENCIES, AND PENDING LITIGATION

The County is a defendant in various lawsuits. It is the opinion of County management and its counsel that the outcome of these lawsuits now pending will not materially affect the operations or the financial position of the County.

Under the terms of certain Federal and State grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies.

On February 17, 2015, an agreement for the Water Plant Cost Sharing Agreement was signed between Bay County, City of Bay City, and Bay County Road Commission for the County to assume debt related to the Bay County Water Supply System, which had not occurred as of December 31, 2017. The principal balance as of December 31, 2017 was \$2,705,000.

As of December 31, 2017, the Medical Care Facility has a commitment balance of \$10,012,365 related to the renovation project.

18. RESTATEMENTS

A correction of an error made in a prior year in the actuarial split of assets held in the Bay County Employees' Retirement Systems' Plan trust resulted in the restatement of the beginning net position of the opinion units below. The pension trust fund also had a restatement for the same reason of \$11,062. This adjustment has no impact on the prior year's change in net position.

	Governmental Activities	Business-type Activities	Component Units	Total
Governmental activities	\$ 4,521,970	\$ -	\$ -	\$ 4,521,970
Internal service funds	2,076	-	-	2,076
Medical care facility fund	-	1,801,287	-	1,801,287
100% tax payment fund	-	15,902	-	15,902
Nonmajor enterprise funds	-	17,976	-	17,976
Library system	-	-	407,593	407,593
Total	\$ 4,524,046	\$ 1,835,165	\$ 407,593	\$ 6,766,804



REQUIRED SUPPLEMENTARY INFORMATION

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System
For the Year Ended December 31, 2017

Schedule of Changes in Net Pension Asset and Related Ratios

	Year Ending December 31,		
	2016	2015	2014
Total pension liability			
Service cost	\$ 4,033,693	\$ 3,995,877	\$ 3,941,541
Interest	17,018,949	16,521,779	15,873,703
Changes in benefits	300,125	-	-
Differences between expected and actual experience	(3,434,251)	-	2,048,465
Changes in assumptions	8,000,602	-	-
Benefit payments, including refunds of member contributions	(14,250,784)	(13,564,472)	(12,935,261)
Net change in total pension liability	11,668,334	6,953,184	8,928,448
Total pension liability, beginning of year	232,027,868	225,074,684	216,146,236
Total pension liability, end of year	243,696,202	232,027,868	225,074,684
Plan fiduciary net position			
Employer contributions	1,958,204	2,165,361	2,574,104
Employee contributions	1,759,828	1,591,066	1,669,919
Net investment income	19,028,272	1,861,801	19,045,651
Benefit payments, including refunds of member contributions	(14,250,784)	(13,564,472)	(12,935,261)
Administrative expenses	(287,391)	(248,428)	(193,343)
Net change in fiduciary net position	8,208,129	(8,194,672)	10,161,070
Fiduciary net position, beginning of year, as restated	253,279,059	261,473,731	251,312,661
Fiduciary net position, end of year	261,487,188	253,279,059	261,473,731
Net pension asset	\$ (17,790,986)	\$ (21,251,191)	\$ (36,399,047)
Fiduciary net position as a percentage of total pension asset	107.30%	109.16%	116.17%
Covered payroll	\$ 45,873,446	\$ 47,305,446	\$ 47,378,819
Net pension asset as a percentage of employee payroll	-38.78%	-44.92%	-76.83%

Note: GASB 68 was implemented in fiscal year 2015. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

Beginning fiduciary net position was restated due to the correction of an error (see Note 18).

BAY COUNTY, MICHIGAN

Required Supplementary Information
 Employees' Retirement System
 For the Year Ended December 31, 2017

Schedule of the Net Pension Asset

Fiscal Year Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Plan Fiduciary Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Asset as Percentage of Covered Payroll
2014	\$ 225,074,684	\$ 261,473,731	\$ (36,399,047)	116.2%	\$ 47,378,819	-76.8%
2015	232,027,868	253,279,059	(21,251,191)	109.2%	47,305,446	-44.9%
2016	243,696,202	261,487,188	(17,790,986)	107.3%	45,873,446	-38.8%

Note: GASB 68 was implemented in fiscal year 2015. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2017

Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2008	\$ 718,886	\$ 718,886	\$ -	\$ 46,482,897	1.55%
2009	1,749,408	1,749,408	-	47,244,573	3.70%
2010	2,254,792	2,750,846	(496,054)	47,090,560	5.84%
2011	2,402,962	3,003,703	(600,741)	48,583,176	6.18%
2012	3,070,500	3,500,370	(429,870)	48,571,798	7.21%
2013	4,073,454	4,099,868	(26,414)	44,535,708	9.21%
2014	2,574,104	2,574,104	-	47,378,819	5.43%
2015	1,958,204	1,958,204	-	47,305,446	4.14%
2016	1,306,845	1,961,212	(654,367)	45,873,446	3.89%
2017	1,072,462	1,784,823	(712,361)	43,659,678	4.09%

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar amount for Library
	Level percentage of payroll for all other groups
Remaining amortization period	28 years closed for groups that are underfunded
	10 years open for groups that are overfunded
Asset valuation method	Market value of assets
Wage inflation	3.5% plus merit & longevity increases ranging from 0.75% to 5.25%
Cost-of-living adjustments	None
Price inflation	2.50%
Investment rate of return	7.25%
Mortality	RP 2014 Combined Healthy Mortality Table

Assumption Changes

For the actuarial valuation dated December 31, 2016, the Plan had the following significant assumption changes. Rate of return was reduced to 7.25%, inflation was changed to 2.5%, payroll base increase was changed to 3.25%, lump sum payments for unused sick and vacation were assumed to increase average final compensation by 3.4% to 7.0%, change in mortality tables, and non-investment administration expenses assumed to average 0.5%.

BAY COUNTY, MICHIGAN

Required Supplementary Information VEBA Trust Fund

Schedule of Funding Progress Other Postemployment Benefits Plan General County and Sheriff Department

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2011	\$ 8,594	\$ 57,926	\$ (49,332)	15%	N/A	N/A
2013	11,476	49,972	(38,496)	23%	N/A	N/A
2015	12,359	67,890	(55,531)	18%	N/A	N/A

Schedule of Employer Contributions Other Postemployment Benefits Plan General County and Sheriff Department

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2015	\$ 4,099,849	34%
2016	5,451,922	34%
2017	5,356,050	27%

Schedule of Funding Progress Other Postemployment Benefits Plan Bay County Medical Care Facility

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2011	\$ 4,633	\$ 44,358	\$ (39,725)	10%	N/A	N/A
2013	7,336	40,272	(32,936)	18%	N/A	N/A
2015	8,603	48,232	(39,629)	18%	N/A	N/A

Schedule of Employer Contributions Other Postemployment Benefits Plan Bay County Medical Care Facility

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2015	\$ 2,964,927	67%
2016	3,364,068	60%
2017	3,320,329	53%

BAY COUNTY, MICHIGAN

Required Supplementary Information VEBA Trust Fund

Schedule of Funding Progress Other Postemployment Benefits Plan Library Component Unit

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2011	\$ 1,121	\$ 2,458	\$ (1,337)	46%	N/A	N/A
2013	1,474	4,547	(3,073)	32%	N/A	N/A
2015	1,635	4,401	(2,766)	37%	N/A	N/A

Schedule of Employer Contributions Other Postemployment Benefits Plan Library Component Unit

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2015	\$ 376,853	33%
2016	312,494	39%
2017	306,893	37%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation (December 31, 2015) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, opened divisions; level dollar, closed divisions
Remaining amortization method:	24 to 26 years (varies by division)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rating return	5.0 percent
Projected salary increases*	4.25 percent to 9.5 percent, dependent on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 3.5 percent

BAY COUNTY, MICHIGAN

Required Supplementary Information

VEBA Trust Fund

For the Year Ended December 31, 2017

Schedule of Investment Returns

Fiscal Year Ending December 31,	Annual Return *
2017	12.79%

* Annual money-weighted rate of return, net of investment expenses

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue funds account for the proceeds of specific revenue resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects

The *Friend of the Court Fund* is used to account for judgment fees and for the operation of this office of the Circuit Court.

The *Health Department / District Health Fund* is used to account for revenue received from the General Fund, State grants, and fees to provide health protection, maintenance, and improvement for the residents of Bay County.

The *Gypsy Moth Control Fund* is used to account for revenues received from property taxes and Federal and State grants for controlling gypsy moths.

The *Register of Deeds Automation Fund* is used to account for the collection of \$5.00 of the total fee collected for each recording, which is used to fund the upgrading of technology in the Register of Deeds' Office.

The *Concealed Pistol Licensing Fund* is used to account for the deposit of fees collected from concealed pistol licensing, which is earmarked for concealed pistol licensing expenses.

The *Local C.F.O. Training Fund* is used to account for the County's share of the inmate booking fees to be utilized for local correctional officers training programs.

The *Drug Law Enforcement Fund* is used to account for revenue received from drug enforcement forfeitures that is earmarked for drug law enforcement.

The *Law Library Fund* is used to account for revenue received from penal fines and the General Fund that is earmarked for maintaining a law library.

The *Community Corrections Fund* is used to account for revenue received from State grants that is earmarked for programs designed to divert criminal offenders from the Bay County Law Enforcement Center (Jail) and the State prison system.

The *Home Rehabilitation Fund* is used to account for Michigan Community Development Block Grant (CDBG) funds and Michigan State Housing Development Authority (MSHDA) funds provided to the County for the rehabilitation of owner-occupied, single-family residential units in the out-county area.

The *Social Welfare Fund* is used to account for revenues primarily received from the State by the County Social Services Department to administer various public assistance programs.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (concluded)

The *Child Care Fund* is used to account for revenues received from the County's General Fund, Federal and State grants, private agencies, and individuals to provide care, guidance, and control of children coming under the jurisdiction of the Probate Court.

The *Child Care / Social Services Fund* is used to account for revenues received from the County's General Fund and the State to provide foster care to children under the jurisdiction of the Probate Court Juvenile Unit who do not qualify for the State Foster Care Program.

The *Soldiers' Relief Fund* is used to account for emergency assistance to eligible veterans.

The *Historical Preservation Fund* is used to account for revenues received from property taxes to foster any activity or project which tends to advance the historical interests of the County.

DEBT SERVICE FUNDS

Debt Service funds accounts for the payment of principal and interest on long-term general obligation debt other than that payable from special assessments and debt issued for an services primarily by an enterprise fund.

The *Building Authority Debt Service Fund* was established to accumulate resources to meet the annual debt service requirements of bonds issued for the construction of and improvements to Bay County buildings and structures.

The *Water Supply Debt Service Fund* was established to accumulate resources to meet the annual debt service requirements of bonds issued for the construction of the County's Bay Area Water Treatment Plant.

BAY COUNTY, MICHIGAN

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Assets				
Cash and cash equivalents	\$ 93,304	\$ 234,159	\$ 125,161	\$ 17,595
Investments	190,630	-	682,272	60,063
Accounts receivable, net of allowance	-	79,707	-	-
Property taxes receivable, net of allowance	-	-	356	-
Interest receivable	-	-	3,442	327
Due from other governmental units	6,704	639,008	-	-
Prepaid items and other assets	-	-	-	-
Total assets	\$ 290,638	\$ 952,874	\$ 811,231	\$ 77,985
Liabilities				
Accounts payable	\$ 100	\$ 37,888	\$ 139	\$ 2,518
Accrued liabilities	1,346	35,135	1,075	-
Accrued vacation and sick pay	-	6,768	-	-
Due to other funds	21	605	16	-
Due to other governmental units	-	62,591	-	-
Interfund advances	-	-	-	-
Unearned revenue	-	582,636	-	-
Total liabilities	1,467	725,623	1,230	2,518
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	356	-
Taxes levied for a subsequent period	-	-	-	-
Total deferred inflows of resources	-	-	356	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	289,171	-	809,645	39,150
Assigned	-	227,251	-	36,317
Total fund balances	289,171	227,251	809,645	75,467
Total liabilities, deferred inflows of resources and fund balances	\$ 290,638	\$ 952,874	\$ 811,231	\$ 77,985

Special Revenue Funds

Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ 69,892	\$ 40,894	\$ 23,125	\$ 8,167	\$ 50,074	\$ 143,423	\$ 7,969
-	-	-	-	-	-	39,542
-	1,855	-	-	-	2,141,848	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	57,111	-	-
-	-	-	-	-	-	-
<u>\$ 69,892</u>	<u>\$ 42,749</u>	<u>\$ 23,125</u>	<u>\$ 8,167</u>	<u>\$ 107,185</u>	<u>\$ 2,285,271</u>	<u>\$ 47,511</u>
\$ 499	\$ -	\$ -	\$ 6,993	\$ 19,116	\$ 32,216	\$ -
255	-	-	-	1,602	-	-
-	-	-	-	-	-	-
4	-	-	-	18	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>758</u>	<u>-</u>	<u>-</u>	<u>6,993</u>	<u>20,736</u>	<u>32,216</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
63,354	42,749	23,125	-	8,049	2,253,055	-
5,780	-	-	1,174	78,400	-	47,511
<u>69,134</u>	<u>42,749</u>	<u>23,125</u>	<u>1,174</u>	<u>86,449</u>	<u>2,253,055</u>	<u>47,511</u>
<u>\$ 69,892</u>	<u>\$ 42,749</u>	<u>\$ 23,125</u>	<u>\$ 8,167</u>	<u>\$ 107,185</u>	<u>\$ 2,285,271</u>	<u>\$ 47,511</u>

continued...

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2017

	Special Revenue Funds			
	Child Care	Child Care / Social Services	Soldiers' Relief	Historical Preservation
Assets				
Cash and cash equivalents	\$ 203,915	\$ 16,258	\$ 60,525	\$ 10,361
Investments	-	-	287,522	-
Accounts receivable, net of allowance	-	-	1,162	1,817
Property taxes receivable, net of allowance	-	-	258,899	246,536
Interest receivable	-	-	1,539	-
Due from other governmental units	594,730	-	-	-
Prepaid items and other assets	-	-	5,237	-
Total assets	\$ 798,645	\$ 16,258	\$ 614,884	\$ 258,714
Liabilities				
Accounts payable	\$ 89,800	\$ -	\$ 22,306	\$ -
Accrued liabilities	43,573	-	-	-
Accrued vacation and sick pay	6,178	-	-	-
Due to other funds	667	-	-	-
Due to other governmental units	562	-	-	-
Interfund advances	150,000	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	290,780	-	22,306	-
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	362	408
Taxes levied for a subsequent period	-	-	268,149	255,278
Total deferred inflows of resources	-	-	268,511	255,686
Fund balances				
Nonspendable	-	-	5,237	-
Restricted	-	1,125	318,830	3,028
Assigned	507,865	15,133	-	-
Total fund balances	507,865	16,258	324,067	3,028
Total liabilities, deferred inflows of resources and fund balances	\$ 798,645	\$ 16,258	\$ 614,884	\$ 258,714



Debt Service Funds		
Building Authority	Water Supply	Total Nonmajor Governmental Funds
\$ 3,236	\$ 1,478,394	\$ 2,586,452
15,923	-	1,275,952
-	-	2,226,389
-	-	505,791
2,665	-	7,973
-	-	1,297,553
-	-	5,237
<u>\$ 21,824</u>	<u>\$ 1,478,394</u>	<u>\$ 7,905,347</u>
\$ -	\$ -	\$ 211,575
-	-	82,986
-	-	12,946
-	-	1,331
-	-	63,153
-	-	150,000
-	-	582,636
-	-	<u>1,104,627</u>
-	-	1,126
-	-	<u>523,427</u>
-	-	<u>524,553</u>
-	-	5,237
21,824	1,478,394	5,351,499
-	-	919,431
<u>21,824</u>	<u>1,478,394</u>	<u>6,276,167</u>
<u>\$ 21,824</u>	<u>\$ 1,478,394</u>	<u>\$ 7,905,347</u>

concluded.

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2017

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Revenues				
Property taxes	\$ -	\$ -	\$ 284,075	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	249,240	-	-
Federal	66,870	1,374,186	-	-
State	35,565	377,356	-	-
Interest, rents and royalties	-	8,100	18,303	2,084
Charges for services	47,496	44,184	-	-
Fines and forfeits	-	-	-	-
Reimbursements, refunds, and other revenues	-	776,682	-	-
Total revenues	149,931	2,829,748	302,378	2,084
Expenditures				
Current:				
General government	-	-	232,441	81,673
Public safety	-	-	-	-
Community and economic development	-	-	-	-
Health and welfare	-	3,722,648	-	-
Judicial	116,189	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	116,189	3,722,648	232,441	81,673
Revenues over (under) expenditures	33,742	(892,900)	69,937	(79,589)
Other financing sources (uses)				
Transfers in	-	1,228,304	-	88,640
Transfers out	-	(545,674)	(23,770)	(31,245)
Total other financing sources (uses)	-	682,630	(23,770)	57,395
Net change in fund balances	33,742	(210,270)	46,167	(22,194)
Fund balances, beginning of year	255,429	437,521	763,478	97,661
Fund balances, end of year	\$ 289,171	\$ 227,251	\$ 809,645	\$ 75,467

Special Revenue Funds						
Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
44,778	-	-	-	-	-	-
-	-	-	-	-	147,180	-
-	-	-	-	201,383	-	-
-	-	-	-	-	182	-
-	19,895	-	-	-	-	-
-	-	123	6,500	-	-	-
-	-	-	-	-	1,030	523
<u>44,778</u>	<u>19,895</u>	<u>123</u>	<u>6,500</u>	<u>201,383</u>	<u>148,392</u>	<u>523</u>
20,210	-	-	-	-	-	-
-	13,133	713	-	210,549	-	-
-	-	-	-	-	38,817	-
-	-	-	-	-	-	48,495
-	-	-	43,501	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>20,210</u>	<u>13,133</u>	<u>713</u>	<u>43,501</u>	<u>210,549</u>	<u>38,817</u>	<u>48,495</u>
<u>24,568</u>	<u>6,762</u>	<u>(590)</u>	<u>(37,001)</u>	<u>(9,166)</u>	<u>109,575</u>	<u>(47,972)</u>
-	-	-	37,001	-	-	47,400
(1,985)	-	-	-	-	-	-
<u>(1,985)</u>	<u>-</u>	<u>-</u>	<u>37,001</u>	<u>-</u>	<u>-</u>	<u>47,400</u>
22,583	6,762	(590)	-	(9,166)	109,575	(572)
<u>46,551</u>	<u>35,987</u>	<u>23,715</u>	<u>1,174</u>	<u>95,615</u>	<u>2,143,480</u>	<u>48,083</u>
<u>\$ 69,134</u>	<u>\$ 42,749</u>	<u>\$ 23,125</u>	<u>\$ 1,174</u>	<u>\$ 86,449</u>	<u>\$ 2,253,055</u>	<u>\$ 47,511</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2017

	Special Revenue Funds			
	Child Care	Child Care / Social Services	Soldiers' Relief	Historical Preservation
Revenues				
Property taxes	\$ -	\$ -	\$ 284,071	\$ 270,557
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Federal	26,379	-	-	-
State	101,576	-	-	-
Interest, rents and royalties	-	-	9,046	39
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Reimbursements, refunds, and other revenues	1,660,982	-	706	-
Total revenues	1,788,937	-	293,823	270,596
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community and economic development	-	-	-	-
Health and welfare	2,704,997	-	263,551	-
Judicial	-	-	-	-
Recreation and culture	-	-	-	270,595
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	2,704,997	-	263,551	270,595
Revenues over (under) expenditures	(916,060)	-	30,272	1
Other financing sources (uses)				
Transfers in	1,726,114	-	-	-
Transfers out	(395,068)	-	(14,044)	-
Total other financing sources (uses)	1,331,046	-	(14,044)	-
Net change in fund balances	414,986	-	16,228	1
Fund balances, beginning of year	92,879	16,258	307,839	3,027
Fund balances, end of year	\$ 507,865	\$ 16,258	\$ 324,067	\$ 3,028



Debt Service Funds		
Building Authority	Water Supply	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 838,703
-	3,980,000	3,980,000
-	-	294,018
-	-	1,614,615
-	-	715,880
20,493	1,526	59,773
-	-	111,575
-	-	6,623
<u>1,323,446</u>	<u>-</u>	<u>3,763,369</u>
<u>1,343,939</u>	<u>3,981,526</u>	<u>11,384,556</u>
-	-	334,324
-	-	224,395
-	-	38,817
-	-	6,739,691
-	-	159,690
-	-	270,595
1,245,000	1,510,000	2,755,000
210,200	2,455,025	2,665,225
<u>1,455,200</u>	<u>3,965,025</u>	<u>13,187,737</u>
<u>(111,261)</u>	<u>16,501</u>	<u>(1,803,181)</u>
-	-	3,127,459
-	-	(1,011,786)
-	-	2,115,673
<u>(111,261)</u>	<u>16,501</u>	<u>312,492</u>
<u>133,085</u>	<u>1,461,893</u>	<u>5,963,675</u>
<u>\$ 21,824</u>	<u>\$ 1,478,394</u>	<u>\$ 6,276,167</u>

concluded.

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Friend of the Court
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 63,471	\$ 63,471	\$ 66,870	\$ 3,399
State	30,000	30,000	35,565	5,565
Charges for services	43,580	43,580	47,496	3,916
Total revenues	137,051	137,051	149,931	12,880
Expenditures				
Current:				
Judicial	115,973	115,973	116,189	216
Net change in fund balance	21,078	21,078	33,742	12,664
Fund balance, beginning of year	255,429	255,429	255,429	-
Fund balance, end of year	\$ 276,507	\$ 276,507	\$ 289,171	\$ 12,664

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Health Department/District Health

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 232,500	\$ 232,500	\$ 249,240	\$ 16,740
Federal	1,586,626	1,649,297	1,374,186	(275,111)
State	361,733	505,891	377,356	(128,535)
Interest, rents and royalties	9,000	9,000	8,100	(900)
Charges for services	100,659	96,159	44,184	(51,975)
Reimbursements, refunds, and other revenues	1,038,461	1,079,587	776,682	(302,905)
Total revenues	3,328,979	3,572,434	2,829,748	(742,686)
Expenditures				
Current:				
Health and welfare	4,088,600	4,332,055	3,722,648	(609,407)
Revenues under expenditures	(759,621)	(759,621)	(892,900)	(133,279)
Other financing sources (uses)				
Transfers in	1,230,295	1,230,295	1,228,304	(1,991)
Transfers out	(545,674)	(545,674)	(545,674)	-
Total other financing sources (uses)	684,621	684,621	682,630	(1,991)
Net change in fund balance	(75,000)	(75,000)	(210,270)	(135,270)
Fund balance, beginning of year	437,521	437,521	437,521	-
Fund balance, end of year	\$ 362,521	\$ 362,521	\$ 227,251	\$ (135,270)

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Gypsy Moth Control

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 270,263	\$ 270,263	\$ 284,075	\$ 13,812
Interest, rents and royalties	9,058	9,058	18,303	9,245
Total revenues	279,321	279,321	302,378	23,057
Expenditures				
Current:				
General government	315,181	315,181	232,441	(82,740)
Revenues over (under) expenditures	(35,860)	(35,860)	69,937	105,797
Other financing uses				
Transfers out	(23,770)	(23,770)	(23,770)	-
Net change in fund balance	(59,630)	(59,630)	46,167	105,797
Fund balance, beginning of year	763,478	763,478	763,478	-
Fund balance, end of year	\$ 703,848	\$ 703,848	\$ 809,645	\$ 105,797

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Register of Deeds Automation For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 9,000	\$ 9,000	\$ 2,084	\$ (6,916)
Expenditures				
Current:				
General government	116,866	116,866	81,673	(35,193)
Revenues under expenditures	(107,866)	(107,866)	(79,589)	28,277
Other financing sources (uses)				
Transfers in	110,000	110,000	88,640	(21,360)
Transfers out	(31,245)	(31,245)	(31,245)	-
Total other financing sources (uses)	78,755	78,755	57,395	(21,360)
Net change in fund balance	(29,111)	(29,111)	(22,194)	6,917
Fund balance, beginning of year	97,661	97,661	97,661	-
Fund balance, end of year	\$ 68,550	\$ 68,550	\$ 75,467	\$ 6,917

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Concealed Pistol Licensing For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 52,527	\$ 52,527	\$ 44,778	\$ (7,749)
Expenditures				
Current:				
General government	50,542	50,542	20,210	(30,332)
Revenues over expenditures	1,985	1,985	24,568	22,583
Other financing uses				
Transfers out	(1,985)	(1,985)	(1,985)	-
Net change in fund balance	-	-	22,583	22,583
Fund balance, beginning of year	46,551	46,551	46,551	-
Fund balance, end of year	\$ 46,551	\$ 46,551	\$ 69,134	\$ 22,583

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Local C.F.O. Training
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 18,000	\$ 18,000	\$ 19,895	\$ 1,895
Expenditures				
Current:				
Public safety	18,000	18,000	13,133	(4,867)
Net change in fund balance	-	-	6,762	6,762
Fund balance, beginning of year	35,987	35,987	35,987	-
Fund balance, end of year	\$ 35,987	\$ 35,987	\$ 42,749	\$ 6,762

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Drug Law Enforcement
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ 4,000	\$ 4,000	\$ 123	\$ (3,877)
Expenditures				
Current:				
Public safety	4,000	4,000	713	(3,287)
Net change in fund balance	-	-	(590)	(590)
Fund balance, beginning of year	23,715	23,715	23,715	-
Fund balance, end of year	\$ 23,715	\$ 23,715	\$ 23,125	\$ (590)

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Law Library For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Expenditures				
Current:				
Judicial	37,000	44,000	43,501	(499)
Revenues under expenditures	(30,500)	(37,500)	(37,001)	499
Other financing sources				
Transfers in	30,500	37,500	37,001	(499)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	1,174	1,174	1,174	-
Fund balance, end of year	\$ 1,174	\$ 1,174	\$ 1,174	\$ -

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Corrections

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State	\$ 136,351	\$ 196,351	\$ 201,383	\$ 5,032
Reimbursements, refunds, and other revenues	2,934	2,934	-	(2,934)
Total revenues	139,285	199,285	201,383	2,098
Expenditures				
Current:				
Public safety	164,688	224,688	210,549	(14,139)
Net change in fund balance	(25,403)	(25,403)	(9,166)	16,237
Fund balance, beginning of year	95,615	95,615	95,615	-
Fund balance, end of year	<u>\$ 70,212</u>	<u>\$ 70,212</u>	<u>\$ 86,449</u>	<u>\$ 16,237</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Home Rehabilitation

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 134,943	\$ 134,943	\$ 147,180	\$ 12,237
Interest, rents and royalties	202	202	182	(20)
Reimbursements, refunds, and other revenues	1,200	37,794	1,030	(36,764)
Total revenues	136,345	172,939	148,392	(24,547)
Expenditures				
Current:				
Community and economic development	180,783	224,090	38,817	(185,273)
Net change in fund balance	(44,438)	(51,151)	109,575	160,726
Fund balance, beginning of year	2,143,480	2,143,480	2,143,480	-
Fund balance, end of year	\$ 2,099,042	\$ 2,092,329	\$ 2,253,055	\$ 160,726

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Social Welfare For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ -	\$ -	\$ 523	\$ 523
Expenditures				
Current:				
Health and welfare	51,625	51,625	48,495	(3,130)
Revenues under expenditures	(51,625)	(51,625)	(47,972)	3,653
Other financing sources				
Transfers in	47,400	47,400	47,400	-
Net change in fund balance	(4,225)	(4,225)	(572)	3,653
Fund balance, beginning of year	35,900	35,900	48,083	12,183
Fund balance, end of year	\$ 31,675	\$ 31,675	\$ 47,511	\$ 15,836

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Child Care For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 20,000	\$ 20,000	\$ 26,379	\$ 6,379
State	120,000	120,000	101,576	(18,424)
Reimbursements, refunds, and other revenues	1,669,715	1,764,672	1,660,982	(103,690)
Total revenues	1,809,715	1,904,672	1,788,937	(115,735)
Expenditures				
Current:				
Health and welfare	3,235,718	3,235,718	2,704,997	(530,721)
Revenues under expenditures	(1,426,003)	(1,331,046)	(916,060)	414,986
Other financing sources (uses)				
Transfers in	1,631,159	1,726,114	1,726,114	-
Transfers out	(205,156)	(395,068)	(395,068)	-
Total other financing sources (uses)	1,426,003	1,331,046	1,331,046	-
Net change in fund balance	-	-	414,986	414,986
Fund balance, beginning of year	92,879	92,879	92,879	-
Fund balance, end of year	\$ 92,879	\$ 92,879	\$ 507,865	\$ 414,986

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Child Care/Social Services
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ 900	\$ 900	\$ -	\$ (900)
Expenditures				
Current:				
Health and welfare	5,000	5,000	-	(5,000)
Net change in fund balance	(4,100)	(4,100)	-	4,100
Fund balance, beginning of year	16,258	16,258	16,258	-
Fund balance, end of year	\$ 12,158	\$ 12,158	\$ 16,258	\$ 4,100

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Soldiers' Relief For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 270,263	\$ 270,263	\$ 284,071	\$ 13,808
Interest, rents and royalties	-	-	9,046	9,046
Reimbursements, refunds, and other revenues	-	-	706	706
Total revenues	270,263	270,263	293,823	23,560
Expenditures				
Current:				
Health and welfare	248,590	301,350	263,551	(37,799)
Revenues over (under) expenditures	21,673	(31,087)	30,272	61,359
Other financing uses				
Transfers out	(14,044)	(14,044)	(14,044)	-
Net change in fund balance	7,629	(45,131)	16,228	61,359
Fund balance, beginning of year	307,839	307,839	307,839	-
Fund balance, end of year	\$ 315,468	\$ 262,708	\$ 324,067	\$ 61,359

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Historical Preservation
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 258,296	\$ 258,296	\$ 270,557	\$ 12,261
Interest, rents and royalties	25	25	39	14
Total revenues	258,321	258,321	270,596	12,275
Expenditures				
Current:				
Recreation and culture	258,321	258,321	270,595	12,274
Net change in fund balance	-	-	1	1
Fund balance, beginning of year	3,027	3,027	3,027	-
Fund balance, end of year	\$ 3,027	\$ 3,027	\$ 3,028	\$ 1

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Building Authority Debt Service Fund For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 12,000	\$ 12,000	\$ 20,493	\$ 8,493
Reimbursements, refunds, and other revenues	1,455,200	1,455,200	1,323,446	(131,754)
Total revenues	1,467,200	1,467,200	1,343,939	(123,261)
Expenditures				
Debt service:				
Principal	1,245,000	1,245,000	1,245,000	-
Interest and other fees	210,200	210,200	210,200	-
Total expenditures	1,455,200	1,455,200	1,455,200	-
Net change in fund balance	12,000	12,000	(111,261)	(123,261)
Fund balance, beginning of year	133,085	133,085	133,085	-
Fund balance, end of year	\$ 145,085	\$ 145,085	\$ 21,824	\$ (123,261)

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Water Supply Debt Service Fund For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 2,324,462	\$ 2,324,462	\$ 3,980,000	\$ 1,655,538
Interest, rents and royalties	-	-	1,526	1,526
Total revenues	<u>2,324,462</u>	<u>2,324,462</u>	<u>3,981,526</u>	<u>1,657,064</u>
Expenditures				
Debt service:				
Principal	1,810,000	1,810,000	1,510,000	(300,000)
Interest and other fees	2,155,025	2,155,025	2,455,025	300,000
Total expenditures	<u>3,965,025</u>	<u>3,965,025</u>	<u>3,965,025</u>	<u>-</u>
Revenues over (under) expenditures	(1,640,563)	(1,640,563)	16,501	1,657,064
Other financing sources				
Transfers in	2,500,000	2,500,000	-	(2,500,000)
Net change in fund balance	859,437	859,437	16,501	(842,936)
Fund balance, beginning of year	1,461,893	1,461,893	1,461,893	-
Fund balance, end of year	<u>\$ 2,321,330</u>	<u>\$ 2,321,330</u>	<u>\$ 1,478,394</u>	<u>\$ (842,936)</u>

NONMAJOR ENTERPRISE FUNDS

Enterprise funds account for the operations and services provided for County residents which are financed primarily through user charges.

The *Golf Course Fund* was established to account for the operations of the County golf course. Revenues are primarily generated from user fees.

The *Housing Fund* accounts for the operations of the Hampton Township Housing Project, which provides low-income housing to eligible County residents.

The *Delinquent Property Tax Foreclosure Fund* was established to account for various fees and costs related to the new delinquent tax reversion process.

The *Commissary Fund* was established to record the operations of commissary sales to inmates at the Bay County Law Enforcement Center. Costs are recovered through charges for items sold.

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds
December 31, 2017

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 84,535	\$ 294,631	\$ 65,690	\$ 24,015	\$ 468,871
Investments	18,659	202,964	226,995	85,486	534,104
Accounts receivable, net	-	40,088	-	-	40,088
Accrued interest receivable	239	-	1,084	434	1,757
Inventories	6,505	-	-	-	6,505
Due from other funds	-	-	61,019	-	61,019
Due from component units	-	-	25,000	-	25,000
Prepaid items and other assets	-	1,104	11,774	-	12,878
Total current assets	109,938	538,787	391,562	109,935	1,150,222
Noncurrent assets:					
Net pension asset	37,271	56,624	-	-	93,895
Capital assets not being depreciated	136,933	90,538	-	-	227,471
Capital assets being depreciated, net	133,640	1,134,701	-	-	1,268,341
Total noncurrent assets	307,844	1,281,863	-	-	1,589,707
Total assets	417,782	1,820,650	391,562	109,935	2,739,929
Deferred outflows of resources					
Deferred pension amounts	38,472	58,117	-	-	96,589
Liabilities					
Current liabilities:					
Accounts payable	1,355	41,957	5,030	-	48,342
Accrued liabilities	1,944	71,330	-	-	73,274
Due to other funds	30	-	161,929	-	161,959
Unearned revenue	6,154	24,898	-	-	31,052
Current portion of compensated absences	-	1,767	-	-	1,767
Total current liabilities	9,483	139,952	166,959	-	316,394
Noncurrent liabilities:					
Net other postemployment benefit obligation	108,477	200,977	-	-	309,454
Compensated absences, net of current portion	9,858	6,467	-	-	16,325
Total noncurrent liabilities	118,335	207,444	-	-	325,779
Total liabilities	127,818	347,396	166,959	-	642,173
Deferred inflows of resources					
Deferred pension amounts	23,006	34,955	-	-	57,961
Net position					
Investment in capital assets	270,573	1,225,239	-	-	1,495,812
Restricted for pension benefits	52,737	79,786	-	-	132,523
Unrestricted (deficit)	(17,880)	191,391	224,603	109,935	508,049
Total net position	\$ 305,430	\$ 1,496,416	\$ 224,603	\$ 109,935	\$ 2,136,384

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended December 31, 2017

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues					
Charges for services	\$ 443,160	\$ 270,771	\$ 296,831	\$ 271,352	\$ 1,282,114
Program grants and subsidies	-	243,171	-	-	243,171
Other	2,129	6,799	13,975	-	22,903
Total operating revenues	445,289	520,741	310,806	271,352	1,548,188
Operating expenses					
Personnel services	267,881	-	6,366	-	274,247
Supplies	66,826	-	666	-	67,492
Other services	190,447	521,528	192,673	196,495	1,101,143
Depreciation	33,850	213,582	-	-	247,432
Total operating expenses	559,004	735,110	199,705	196,495	1,690,314
Operating income (loss)	(113,715)	(214,369)	111,101	74,857	(142,126)
Nonoperating revenue					
Interest income	2,237	2,847	4,845	2,377	12,306
Income (loss) before transfers	(111,478)	(211,522)	115,946	77,234	(129,820)
Transfers					
Transfers in	80,200	-	-	-	80,200
Transfers out	-	-	(161,929)	(75,000)	(236,929)
Net transfers	80,200	-	(161,929)	(75,000)	(156,729)
Change in net position before capital contribution	(31,278)	(211,522)	(45,983)	2,234	(286,549)
Capital contribution	-	88,601	-	-	88,601
Change in net position	(31,278)	(122,921)	(45,983)	2,234	(197,948)
Net position, beginning of year, as restated	336,708	1,619,337	270,586	107,701	2,334,332
Net position, end of year	\$ 305,430	\$ 1,496,416	\$ 224,603	\$ 109,935	\$ 2,136,384

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2017

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities					
Cash received from customers	\$ 443,312	\$ 241,322	\$ 409,467	\$ 271,352	\$ 1,365,453
Cash payments to suppliers for goods and services	(253,853)	(326,240)	(188,414)	(196,495)	(965,002)
Cash payments to employees and related taxes and insurance	(254,374)	(170,989)	(6,366)	-	(431,729)
Other receipts	2,129	243,171	13,975	-	259,275
Net cash provided by (used in) operating activities	(62,786)	(12,736)	228,662	74,857	227,997
Cash flows from noncapital financing activities					
Transfers in	80,200	-	-	-	80,200
Transfers out	-	-	(161,929)	(75,000)	(236,929)
Net cash provided by (used in) noncapital financing activities	80,200	-	(161,929)	(75,000)	(156,729)
Cash flows from capital related financing activities					
Capital contributions	-	88,601	-	-	88,601
Acquisition and construction of capital assets	(19,364)	(95,490)	-	-	(114,854)
Net cash used in capital related financing activities	(19,364)	(6,889)	-	-	(26,253)
Cash flows from investing activities					
Proceeds from sale of investments	60,090	-	-	-	60,090
Purchase of investments	-	(2,964)	(75,604)	(9,720)	(88,288)
Interest received	2,393	2,847	5,155	2,235	12,630
Net cash provided by (used in) investing activities	62,483	(117)	(70,449)	(7,485)	(15,568)
Net change in cash and cash equivalents	60,533	(19,742)	(3,716)	(7,628)	29,447
Cash and cash equivalents, beginning of year	24,002	314,373	69,406	31,643	439,424
Cash and cash equivalents, end of year	\$ 84,535	\$ 294,631	\$ 65,690	\$ 24,015	\$ 468,871

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2017

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (113,715)	\$ (214,369)	\$ 111,101	\$ 74,857	\$ (142,126)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	33,850	213,582	-	-	247,432
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable, net	86	(36,369)	-	-	(36,283)
Inventories	2,342	-	-	-	2,342
Due from other funds	-	-	(49,293)	-	(49,293)
Prepaid items and other assets	-	710	(105)	-	605
Accounts payable	1,078	12,079	5,030	-	18,187
Accrued liabilities	(276)	30,237	-	-	29,961
Due to other funds	(4)	-	161,929	-	161,925
Unearned revenue	70	121	-	-	191
Net other postemployment benefit obligation	15,566	(18,727)	-	-	(3,161)
Net pension asset and deferred amounts	(1,916)	-	-	-	(1,916)
Compensated absences	133	-	-	-	133
Net cash provided by (used in) operating activities	<u>\$ (62,786)</u>	<u>\$ (12,736)</u>	<u>\$ 228,662</u>	<u>\$ 74,857</u>	<u>\$ 227,997</u>

concluded.

INTERNAL SERVICES FUNDS

Internal Service funds account for the financing of goods or services provided to other funds, departments or agencies of the primary government and its component units or to other governmental units on a cost reimbursement basis.

The *Self Insurance Fund* was established by the County to provide its own insurance coverage to its departments or funds for workers' compensation, sickness and accident, and unemployment compensation. It is funded by charges to the various funds covered under the program, with all claims being paid from the fund.

The *Healthcare Self Insurance Fund* was established by the County to provide its own insurance coverage to its departments or funds for employee health care.

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

December 31, 2017

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 471,496	\$ 1,721,243	\$ 2,192,739
Investments	1,344,072	-	1,344,072
Accounts receivable, net of allowance	20	200,330	200,350
Accrued interest receivable	6,400	-	6,400
Due from other funds	9,167	2,692,660	2,701,827
Due from other governmental units	55	-	55
Prepaid items and other assets	46,510	284,827	331,337
Total current assets	<u>1,877,720</u>	<u>4,899,060</u>	<u>6,776,780</u>
Noncurrent assets:			
Net pension asset	4,300	-	4,300
Total assets	<u>1,882,020</u>	<u>4,899,060</u>	<u>6,781,080</u>
Deferred outflows of resources			
Deferred pension amounts	<u>4,436</u>	<u>-</u>	<u>4,436</u>
Liabilities			
Current liabilities:			
Accounts payable	15	-	15
Accrued liabilities	34,733	-	34,733
Due to other governmental units	364	-	364
Estimated insurance claims payable	294,821	363,334	658,155
Total current liabilities	<u>329,933</u>	<u>363,334</u>	<u>693,267</u>
Noncurrent liabilities:			
Net other postemployment benefit obligation	3,113	-	3,113
Compensated absences	743	-	743
Total noncurrent liabilities	<u>3,856</u>	<u>-</u>	<u>3,856</u>
Total liabilities	<u>333,789</u>	<u>363,334</u>	<u>697,123</u>
Deferred inflows of resources			
Deferred pension amounts	<u>2,655</u>	<u>-</u>	<u>2,655</u>
Net position			
Restricted for:			
Pension benefits	6,081	-	6,081
Insurance claims	1,543,931	4,535,726	6,079,657
Total net position	<u>\$ 1,550,012</u>	<u>\$ 4,535,726</u>	<u>\$ 6,085,738</u>

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended December 31, 2017

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	\$ 311,683	\$ 6,340,989	\$ 6,652,672
Operating expenses			
Personnel services	318,624	5,702,477	6,021,101
Other services	132,230	965,882	1,098,112
Total operating expenses	450,854	6,668,359	7,119,213
Operating loss	(139,171)	(327,370)	(466,541)
Nonoperating revenues			
Interest income	34,485	-	34,485
Loss before transfers	(104,686)	(327,370)	(432,056)
Transfers out	-	(11,187)	(11,187)
Change in net position	(104,686)	(338,557)	(443,243)
Net position, beginning of year, as restated	1,654,698	4,874,283	6,528,981
Net position, end of year	\$ 1,550,012	\$ 4,535,726	\$ 6,085,738

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2017

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 310,950	\$ 4,945,539	\$ 5,256,489
Cash payments to suppliers for goods and services	(144,814)	(616,992)	(761,806)
Cash payments to employees and related taxes and insurance	(410,102)	(5,716,438)	(6,126,540)
Net cash used in operating activities	<u>(243,966)</u>	<u>(1,387,891)</u>	<u>(1,631,857)</u>
Cash flows from noncapital financing activities			
Transfers out	-	(11,187)	(11,187)
Cash flows from investing activities			
Purchase of investments	(196,478)	-	(196,478)
Interest received	33,034	-	33,034
Net cash used in investing activities	<u>(163,444)</u>	<u>-</u>	<u>(163,444)</u>
Net change in cash and cash equivalents	(407,410)	(1,399,078)	(1,806,488)
Cash and cash equivalents, beginning of year	878,906	3,120,321	3,999,227
Cash and cash equivalents, end of year	<u>\$ 471,496</u>	<u>\$ 1,721,243</u>	<u>\$ 2,192,739</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2017

	Self Insurance	Healthcare Self Insurance	Total
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (139,171)	\$ (327,370)	\$ (466,541)
Adjustments to reconcile loss to net cash used in operating activities:			
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable, net	-	(24,348)	(24,348)
Due from other funds	47	(1,371,102)	(1,371,055)
Due from other governmental units	(12)	-	(12)
Prepaid items and other assets	(12,580)	398,226	385,646
Accounts payable	(4)	(49,336)	(49,340)
Accrued liabilities	10,265	-	10,265
Due to other funds	(780)	-	(780)
Due to other governmental units	364	-	364
Estimated claims payable	(105,286)	(13,961)	(119,247)
Net other postemployment benefit obligation	3,113	-	3,113
Net pension asset and deferred amounts	280	-	280
Compensated absences	(202)	-	(202)
Net cash used in operating activities	<u>\$ (243,966)</u>	<u>\$ (1,387,891)</u>	<u>\$ (1,631,857)</u>

concluded.

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the County in a trustee or agent capacity. Disbursements from these funds are contingent upon the trust agreement or applicable legislative enactment for each particular fund. The Bay County fiduciary funds encompass three broad categories: Private-Purpose Trust, Pension and Other Benefits Trust, and Agency funds. Private-Purpose Trust funds result from the County's agreement to accept resources and spend them in ways specified by the donor. Pension and Other Benefits Trust funds account for contributions from the County. They also invest fund resources, and calculate and pay pensions and other benefits to retirees and beneficiaries. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and other funds.

The *Inmate Private Purpose Trust Fund* is used to account for deposits from County jail inmates.

The *Probate Court Private Purpose Trust Fund* is used to account for trust arrangements for the probate court.

The *Employees' Retirement System Fund* is used to account for the financial transactions of the Bay County Employees' Retirement System. The system is administered by the Retirement Board of Trustees, while the County acts as custodian for the System. Combining statements for the pension and other postemployment trust funds are included in the notes to the financial statements.

The *VEBA Trust Fund* is used to accumulate financial resources in order to provide medical benefits for retirees', their spouses and dependents. Combining statements for the pension and other postemployment trust funds are included in the notes to the financial statements.

The *General Agency Fund* is used to account for resources held by the County, which were received from various sources, and their subsequent disbursement to other parties.

The *Current Tax Collection Fund* is used to account for the collection of current property taxes and special assessments held by the County in a trustee capacity and the subsequent distribution to the appropriate local governmental unit or County fund.

The *Library Penal Fine Fund* is used to account for penal fines received by the District and Circuit courts and distributed to public libraries, as directed by the State Library Board and the County's Law Library Fund per State Act 286 of 1961.

The *Flexible Spending Plan Fund* is used to account for a portion of employee wages voluntarily set aside on a pre tax basis to cover unreimbursed medical expenses and/or dependent day care expenses. The County holds these funds in a trustee capacity and reimburses the participating employees for eligible expenses.

BAY COUNTY, MICHIGAN

Combining Statement of Plan Net Position

Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund

December 31, 2017

	Employees' Retirement System	VEBA Trust Fund	Total
Assets			
Investments at fair value:			
Equities	\$ 270,714,063	\$ 35,447,092	\$ 306,161,155
Fixed income	76,973,020	16,020,468	92,993,488
Money market	6,539,488	979,018	7,518,506
Total investments	<u>354,226,571</u>	<u>52,446,578</u>	<u>406,673,149</u>
Receivables:			
Contributions	489,132	-	489,132
Interest and dividends	672,034	99,520	771,554
Total receivables	<u>1,161,166</u>	<u>99,520</u>	<u>1,260,686</u>
Other current assets:			
Prepaid items and other assets	1,535,567	102,391	1,637,958
Net pension asset	22,935	-	22,935
Total other current assets	<u>1,558,502</u>	<u>102,391</u>	<u>1,660,893</u>
Total assets	<u>356,946,239</u>	<u>52,648,489</u>	<u>409,594,728</u>
Deferred outflows of resources	<u>23,896</u>	<u>-</u>	<u>23,896</u>
Liabilities			
Accounts payable	279,966	147	280,113
Accrued liabilities	179,080	162,954	342,034
Accrued vacation and sick pay	1,593	-	1,593
Total liabilities	<u>460,639</u>	<u>163,101</u>	<u>623,740</u>
Deferred inflows of resources	<u>14,159</u>	<u>-</u>	<u>14,159</u>
Net position			
Restricted for:			
Pension benefits	356,495,337	-	356,495,337
Postemployment health care benefits	-	52,485,388	52,485,388
Total net position	<u>\$ 356,495,337</u>	<u>\$ 52,485,388</u>	<u>\$ 408,980,725</u>

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Plan Net Position

Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund

For the Year Ended December 31, 2017

	Employees' Retirement System	VEBA Trust Fund	Total
Additions			
Investment income:			
Net appreciation in fair value of investments	\$ 54,153,293	\$ 5,264,369	\$ 59,417,662
Interest and dividends	6,001,524	804,964	6,806,488
Other revenue	42,257	-	42,257
Total investment earnings	60,197,074	6,069,333	66,266,407
Less investment expense	(1,769,964)	(170,104)	(1,940,068)
Net investment income	58,427,110	5,899,229	64,326,339
Contributions:			
Employer	2,775,423	4,977,749	7,753,172
Plan members	2,098,605	-	2,098,605
Total contributions	4,874,028	4,977,749	9,851,777
Total additions	63,301,138	10,876,978	74,178,116
Deductions			
Participant benefits (including refunds of contributions)	17,764,716	4,679,302	22,444,018
Administrative expenses	553,123	49,346	602,469
Total deductions	18,317,839	4,728,648	23,046,487
Change in net position	44,983,299	6,148,330	51,131,629
Net position, beginning of year, as restated	311,512,038	46,337,058	357,849,096
Net position, end of year	\$ 356,495,337	\$ 52,485,388	\$ 408,980,725

BAY COUNTY, MICHIGAN

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

December 31, 2017

	Inmate	Probate Court	Total
Assets			
Cash and cash equivalents	\$ 39,956	\$ 51,543	\$ 91,499
Liabilities			
Accounts payable	17,454	-	17,454
Accrued liabilities	21,557	51,543	73,100
Total liabilities	39,011	51,543	90,554
Net position			
Restricted for:			
Inmates	\$ 945	\$ -	\$ 945

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position
 Private Purpose Trust Funds
 For the Year Ended December 31, 2017

	Inmate	Probate Court	Total
Additions			
Investment income:			
Interest and dividends	\$ 83	\$ -	\$ 83
Deductions			
Other services	-	-	-
Change in net position	83	-	83
Net position			
Beginning of year	862	-	862
End of year	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ 945</u>

BAY COUNTY, MICHIGAN

Combining Statement of Assets and Liabilities

Agency Funds
December 31, 2017

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Cash and cash equivalents	\$ 3,796,507	\$ -	\$ 24,362	\$ 33,840	\$ 3,854,709
Investments	10,155,570	485,047	-	-	10,640,617
Accounts receivable	8	-	-	-	8
Due from other governmental units	346	-	-	-	346
Due from other agency funds	-	-	22,110	-	22,110
Total assets	\$ 13,952,431	\$ 485,047	\$ 46,472	\$ 33,840	\$ 14,517,790
Liabilities					
Accounts payable	\$ 88,016	\$ -	\$ -	\$ -	\$ 88,016
Accrued liabilities	370,390	-	-	33,840	404,230
Due to other agency funds	22,110	-	-	-	22,110
Due to component units	13,057,443	247,321	46,472	-	13,351,236
Due to other governmental units	344,827	237,726	-	-	582,553
Deposits	67,840	-	-	-	67,840
Undistributed taxes	1,805	-	-	-	1,805
Total liabilities	\$ 13,952,431	\$ 485,047	\$ 46,472	\$ 33,840	\$ 14,517,790

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 5,655,077	\$ 38,244,314	\$ (40,102,884)	\$ 3,796,507
Investments	7,817,807	16,089,206	(13,751,443)	10,155,570
Accounts receivable	132	10	(134)	8
Due from other governmental units	249	3,655	(3,558)	346
Total assets	\$ 13,473,265	\$ 54,337,185	\$ (53,858,019)	\$ 13,952,431
Liabilities				
Accounts payable	\$ 85,119	\$ 875,066	\$ (872,169)	\$ 88,016
Accrued liabilities	133,462	392,180	(155,252)	370,390
Due to other agency funds	28,870	22,110	(28,870)	22,110
Due to component units	12,657,258	24,824,282	(24,424,097)	13,057,443
Due to other governmental units	330,742	18,108,295	(18,094,210)	344,827
Deposits	236,260	20,499	(188,919)	67,840
Undistributed taxes	1,554	35,658	(35,407)	1,805
Total liabilities	\$ 13,473,265	\$ 44,278,090	\$ (43,798,924)	\$ 13,952,431
Current Tax Collection Fund				
Assets				
Investments	\$ 490,778	\$ 485,047	\$ (490,778)	\$ 485,047
Due from other governmental units	578,938	-	(578,938)	-
Total assets	\$ 1,069,716	\$ 485,047	\$ (1,069,716)	\$ 485,047
Liabilities				
Accounts payable	\$ 2	\$ -	\$ (2)	\$ -
Due to component units	264,232	5,574,920	(5,591,831)	247,321
Due to other governmental units	699,624	23,325,072	(23,786,970)	237,726
Undistributed taxes	105,858	30,968,080	(31,073,938)	-
Total liabilities	\$ 1,069,716	\$ 59,868,072	\$ (60,452,741)	\$ 485,047
Library Penal Fine				
Assets				
Cash and cash equivalents	\$ -	\$ 326,215	\$ (301,853)	\$ 24,362
Due from other agency funds	28,870	22,110	(28,870)	22,110
Total assets	\$ 28,870	\$ 348,325	\$ (330,723)	\$ 46,472
Liabilities				
Due to component units	\$ 28,870	\$ 348,325	\$ (330,723)	\$ 46,472

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
Flexible Spending Plan Fund				
Assets				
Cash and cash equivalents	\$ 37,284	\$ 114,902	\$ (118,346)	\$ 33,840
Total assets	\$ 37,284	\$ 114,902	\$ (118,346)	\$ 33,840
Liabilities				
Accrued liabilities	\$ 37,284	\$ 114,902	\$ (118,346)	\$ 33,840
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 5,692,361	\$ 38,685,431	\$ (40,523,083)	\$ 3,854,709
Investments	8,308,585	16,574,253	(14,242,221)	10,640,617
Accounts receivable	132	10	(134)	8
Due from other governmental units	579,187	3,655	(582,496)	346
Due from other agency funds	28,870	22,110	(28,870)	22,110
Total assets	\$ 14,609,135	\$ 55,285,459	\$ (55,376,804)	\$ 14,517,790
Liabilities				
Accounts payable	\$ 85,121	\$ 875,066	\$ (872,171)	\$ 88,016
Accrued liabilities	170,746	507,082	(273,598)	404,230
Due to other agency funds	28,870	22,110	(28,870)	22,110
Due to component units	12,950,360	30,747,527	(30,346,651)	13,351,236
Due to other governmental units	1,030,366	41,433,367	(41,881,180)	582,553
Deposits	236,260	20,499	(188,919)	67,840
Undistributed taxes	107,412	31,003,738	(31,109,345)	1,805
Total liabilities	\$ 14,609,135	\$ 104,609,389	\$ (104,700,734)	\$ 14,517,790

concluded

COMPONENT UNITS

LIBRARY SYSTEM

The *Library System* was established to account for the operations of the Bay County Library System, a component unit of Bay County, which provides services and materials in a variety of formats to satisfy the educational, personal and professional interests of the community with funds primarily raised through local property taxes.

DRAIN COMMISSION

The *Drain Commission* was established to account for the operations of the Bay County Drain Commission, a component unit of Bay County, and is used to track the collections and expenditures related to construction and maintenance of drainage districts throughout the County.

BAY COUNTY, MICHIGAN

Statement of Net Position and Balance Sheet

Library System Component Unit
December 31, 2017

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,755,352	\$ -	\$ 5,755,352
Property taxes receivable	5,473,400	-	5,473,400
Accrued interest receivable	26,028	-	26,028
Due from primary government	47,712	-	47,712
Prepaid items and other assets	113,308	-	113,308
Total current assets	11,415,800	-	11,415,800
Noncurrent assets:			
Net pension asset	-	845,107	845,107
Capital assets not being depreciated	-	107,487	107,487
Capital assets being depreciated, net	-	2,270,040	2,270,040
Total noncurrent assets	-	3,222,634	3,222,634
Total assets	\$ 11,415,800	3,222,634	14,638,434
Deferred outflows of resources		1,332,476	1,332,476
Liabilities			
Current liabilities:			
Accounts payable	\$ 55,931	-	55,931
Accrued liabilities	86,661	-	86,661
Current portion of compensated absences	-	13,997	13,997
Total current liabilities	142,592	13,997	156,589
Noncurrent liabilities:			
Compensated absences, net of current portion	-	125,975	125,975
Net other postemployment benefit obligation	-	1,040,463	1,040,463
Total noncurrent liabilities	-	1,166,438	1,166,438
Total liabilities	142,592	1,180,435	1,323,027
Deferred inflows of resources			
Deferred pension amounts	-	182,684	182,684
Taxes levied for a subsequent period	5,473,400	-	5,473,400
Total deferred inflows of resources	5,473,400	182,684	5,656,084
Fund balances			
Nonspendable	113,308	(113,308)	-
Restricted	2,808,546	(2,808,546)	-
Assigned:			
Capital outlay	123,991	(123,991)	-
Unassigned	2,753,963	(2,753,963)	-
Total fund balances	5,799,808	(5,799,808)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 11,415,800		
Net position			
Investment in capital assets		2,377,527	2,377,527
Restricted for:			
Library services		1,741,419	1,741,419
Pension benefits		1,994,899	1,994,899
Unrestricted		2,877,954	2,877,954
Total net position		\$ 8,991,799	\$ 8,991,799

BAY COUNTY, MICHIGAN

Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance
 Library System Component Unit
 For the Year Ended December 31, 2017

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	\$ 5,831,302	\$ -	\$ 5,831,302
Federal grants	19,196	-	19,196
State grants	71,285	-	71,285
Interest income	141,464	-	141,464
Charges for services	400,968	-	400,968
Donations	72,542	-	72,542
Total revenues	6,536,757	-	6,536,757
Expenditures / expenses			
Current:			
Recreation and culture	4,737,669	84,917	4,822,586
Depreciation	-	524,912	524,912
Contributions to other units	1,458,930	-	1,458,930
Total expenditures / expenses	6,196,599	609,829	6,806,428
Net change in fund balance / net position	340,158	(609,829)	(269,671)
Fund balance / net position, beginning of year, as restated	5,459,650	3,801,820	9,261,470
Fund balance / net position, end of year	\$ 5,799,808	\$ 3,191,991	\$ 8,991,799

BAY COUNTY, MICHIGAN

Combining Statement of Net Position and Balance Sheet

Drain Commission Component Unit

December 31, 2017

	Drain Debt Service Funds	Drain Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 113,054	\$ 345,284	\$ 438,204
Investments	126,730	374,918	1,683,133
Special assessments	1,057,223	-	98,877
Accrued interest receivable	604	1,831	7,976
Due from other funds	-	15,514	25,866
Due from other governmental units	14,096	553,945	26,682
Due from primary government	42,758	70,749	20,162
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	\$ 1,354,465	\$ 1,362,241	\$ 2,300,900
Liabilities			
Accounts payable	\$ -	\$ 3,100	\$ 11,014
Accrued liabilities	-	2,700	-
Due to other funds	-	240	258,183
Due to primary government	-	49,904	30,121
Long-term debt:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	-	55,944	299,318
Deferred inflows of resources			
Unavailable revenue - long-term receivables	1,114,078	624,694	135,342
Fund balances			
Restricted - debt service	240,387	-	-
Assigned	-	681,603	1,866,240
Total fund balances	240,387	681,603	1,866,240
Total liabilities, deferred inflows of resources and fund balances	\$ 1,354,465	\$ 1,362,241	\$ 2,300,900
Net position			
Net investment in capital assets			
Restricted for:			
Debt service			
Unrestricted			
Total net position			



Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 896,542	\$ -	\$ 896,542
-	2,184,781	-	2,184,781
-	1,156,100	-	1,156,100
-	10,411	-	10,411
217,043	258,423	(258,423)	-
-	594,723	-	594,723
-	133,669	-	133,669
-	-	333,173	333,173
-	-	4,597,993	4,597,993
<u>\$ 217,043</u>	<u>\$ 5,234,649</u>	<u>4,672,743</u>	<u>9,907,392</u>
\$ -	\$ 14,114	-	14,114
-	2,700	19,274	21,974
-	258,423	(258,423)	-
217,043	297,068	-	297,068
-	-	155,629	155,629
-	-	975,119	975,119
<u>217,043</u>	<u>572,305</u>	<u>891,599</u>	<u>1,463,904</u>
-	1,874,114	(1,874,114)	-
-	240,387	(240,387)	-
-	2,547,843	(2,547,843)	-
-	2,788,230	(2,788,230)	-
<u>\$ 217,043</u>	<u>\$ 5,234,649</u>		
		3,800,418	3,800,418
		221,113	221,113
		<u>4,421,957</u>	<u>4,421,957</u>
		<u>\$ 8,443,488</u>	<u>\$ 8,443,488</u>

BAY COUNTY, MICHIGAN

Combining Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Drain Commission Component Unit For the Year Ended December 31, 2017

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 135,659	\$ 15,949	\$ 41,062
Federal grants	-	-	9,958
Licenses and permits	-	1,000	7,443
Interest, rents and royalties	3,280	28,613	66,767
Reimbursements, refunds and other revenue	38,667	49,034	7,844
Contributions from local units	35,795	342,500	6,823
Total revenues	213,401	437,096	139,897
Expenditures / expenses			
Public works:			
Contractual services	-	231,570	450,614
Depreciation	-	-	-
Debt service:			
Principal	151,604	-	-
Interest and fiscal charges	37,609	-	-
Total expenditures / expenses	189,213	231,570	450,614
Revenues over (under) expenditures / expenses	24,188	205,526	(310,717)
Other financing sources (uses)			
Transfers in	-	-	20,582
Transfers out	-	(20,305)	(277)
Total other financing sources (uses)	-	(20,305)	20,305
Net change in fund balances / net position	24,188	185,221	(290,412)
Fund balances / net position, beginning of year	216,199	496,382	2,156,652
Fund balances / net position, end of year	\$ 240,387	\$ 681,603	\$ 1,866,240

Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 192,670	\$ 137,659	\$ 330,329
-	9,958	-	9,958
-	8,443	-	8,443
-	98,660	-	98,660
-	95,545	-	95,545
-	385,118	-	385,118
-	790,394	137,659	928,053
-	682,184	(145,409)	536,775
-	-	291,816	291,816
-	151,604	(151,604)	-
-	37,609	(2,666)	34,943
-	871,397	(7,863)	863,534
-	(81,003)	145,522	64,519
-	20,582	(20,582)	-
-	(20,582)	20,582	-
-	-	-	-
-	(81,003)	145,522	64,519
-	2,869,233	5,509,736	8,378,969
<u>\$ -</u>	<u>\$ 2,788,230</u>	<u>\$ 5,655,258</u>	<u>\$ 8,443,488</u>

STATISTICAL SECTION

BAY COUNTY, MICHIGAN

Statistical Section Table of Contents

This part of the County's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of Bay County.

		<u>Page</u>
Financial Trends Tables 1-4	These schedules contain trend information to help the reader understand and evaluate how the County's financial condition, performance and well-being have changed over time.	161-170
Revenue Capacity Tables 5-8	These schedules contain information to help the reader assess the County's ability to generate its most significant local revenue source, the property tax.	171-176
Debt Capacity Tables 9-14	These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future.	177-185
Demographic and Economic Information Tables 15-16	These schedules present various demographic and economic indicators to help the reader understand the environment within which the County operates and how they affect the County's financial activities.	186-188
Operating Information Tables 17-19	These schedules contain information about the County's operations and resources to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	189-193

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

BAY COUNTY, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 30,164	\$ 31,885	\$ 32,980	\$ 34,828
Restricted	6,989	2,681	2,387	2,755
Unrestricted (deficit)	14,693	17,338	14,997	14,818
Total governmental activities net position	51,846	51,904	50,364	52,401
Business-type activities				
Net investment in capital assets	8,896	8,840	8,558	7,798
Restricted	-	-	-	1,408
Unrestricted	11,827	10,683	11,497	11,326
Total business-type activities net position	20,723	19,523	20,055	20,532
Primary government				
Net investment in capital assets	39,060	40,725	41,538	42,626
Restricted	6,989	2,681	2,387	4,163
Unrestricted	26,520	28,021	26,494	26,144
Total primary government activities net position	\$ 72,569	\$ 71,427	\$ 70,419	\$ 72,933

Note 1: Variance may exist from the statement of net position to this statistical table due to rounding.

Note 2: The County implemented GASB 68 in 2015. Prior years were not restated.

Note 3: Beginning net position of governmental and business-type activities were restated in 2017 to correct an error in prior period. Prior years were not restated.

Table 1
Unaudited

	2012	2013	2014	2015	2016	2017
\$	35,041	\$ 35,433	\$ 44,431	\$ 45,941	\$ 46,547	\$ 47,382
	2,701	13,510	14,379	22,222	23,861	26,348
	12,924	274	(183)	(4,557)	(8,895)	(8,701)
	<u>50,666</u>	<u>49,217</u>	<u>58,627</u>	<u>63,606</u>	<u>61,513</u>	<u>65,029</u>
	7,353	6,953	7,563	7,906	8,893	10,476
	1,408	1,300	1,294	10,265	7,969	8,308
	10,268	10,713	9,768	12,539	11,894	11,388
	<u>19,029</u>	<u>18,966</u>	<u>18,625</u>	<u>30,710</u>	<u>28,756</u>	<u>30,172</u>
	42,394	42,386	51,994	53,847	55,440	57,858
	4,109	14,810	15,673	32,487	31,830	34,656
	23,192	10,987	9,585	7,982	2,999	2,687
\$	<u>69,695</u>	<u>\$ 68,183</u>	<u>\$ 77,252</u>	<u>\$ 94,316</u>	<u>\$ 90,269</u>	<u>\$ 95,201</u>

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 10,084	\$ 10,411	\$ 12,298	\$ 16,086
Public safety	10,582	11,654	11,729	12,716
Community and economic development	126	185	161	189
Health and welfare	10,852	10,529	10,940	9,144
Public works	8	10	7	7
Judicial	6,537	6,546	6,999	6,510
Legislative	462	539	523	437
Recreation and culture	1,990	1,675	1,792	1,432
Other functions	1,155	1,233	-	-
Interest on long-term debt	1,069	939	813	734
Total governmental activities expenses	42,865	43,721	45,262	47,255
Business-type activities:				
Medical Care Facility	20,944	22,089	21,621	21,930
100% Tax Payment	125	124	129	123
Golf Course	629	657	671	694
Delinquent Property Tax Foreclosure	112	149	166	191
Commissary	98	101	114	106
Housing	653	622	671	761
Total business-type activities expenses	22,561	23,742	23,372	23,805
Total primary government expenses	65,426	67,463	68,634	71,060
Program Revenues				
Governmental activities:				
Charges for services				
General government	2,906	2,699	2,620	2,799
Public safety	1,675	1,882	1,885	2,145
Community and economic development	(2)	77	126	155
Health and welfare	2,195	2,373	2,564	2,614
Public works	4	4	6	11
Judicial	2,266	2,064	2,036	1,929
Legislative	-	-	-	-
Recreation and culture	1,125	853	825	762
Other	52	-	-	-
Operating grants and contributions	7,650	7,836	9,342	13,828
Capital grants and contributions	294	133	58	1,800
Total governmental activities program revenues	18,165	17,921	19,462	26,043

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2008	2009	2010	2011
Business-type activities:				
Charges for services				
Medical Care Facility	\$ 18,401	\$ 19,007	\$ 20,074	\$ 20,358
100% Tax Payment	856	1,327	1,201	1,268
Golf Course	598	595	625	547
Delinquent Property Tax Foreclosure	249	160	205	328
Commissary	124	126	141	136
Housing	255	257	285	260
Operating grants and contributions	238	221	228	311
Capital grants and contributions	19	20	247	54
Total business-type activities program revenues	20,740	21,713	23,006	23,262
Total primary government program revenues	38,905	39,634	42,468	49,305
Net (expense)/revenue				
Governmental activities	(24,700)	(25,800)	(25,800)	(21,212)
Business-type activities	(1,821)	(2,029)	(366)	(543)
Total primary government net expense	(26,521)	(27,829)	(26,166)	(21,755)
General revenues and other changes in net position				
Governmental activities:				
Property taxes	22,901	23,142	22,412	21,445
Unrestricted investment earnings	943	922	656	523
Other revenue	427	715	329	467
Transfers - internal activities	977	1,080	864	811
Total governmental activities	25,248	25,859	24,261	23,246
Business-type activities:				
Property taxes	1,482	1,516	1,527	1,501
Unrestricted investment earnings	439	287	166	245
Other revenue	186	105	70	85
Transfers - internal activities	(977)	(1,080)	(864)	(811)
Total business-type activities	1,130	828	899	1,020
Total primary government	26,378	26,687	25,160	24,266
Change in Net Position				
Governmental activities	549	59	(1,539)	2,035
Business-type activities	(691)	(1,201)	533	477
Total primary government	\$ (142)	\$ (1,142)	\$ (1,006)	\$ 2,512

Note 1: Variance may exist from the statement of net position to this statistical table due to rounding.

Note 2: Beginning net position of governmental and business-type activities were restated in 2017 to correct an error in prior period. Prior years were not restated.

Table 2
Unaudited

	2012	2013	2014	2015	2016	2017
\$	15,617	\$ 13,754	\$ 12,031	\$ 13,287	\$ 13,952	\$ 13,985
	11,784	11,722	11,443	11,721	12,194	12,488
	273	296	110	208	245	233
	11,207	10,921	10,703	11,205	12,318	12,232
	4	178	1,560	1,911	3,798	3,277
	6,909	6,831	6,840	7,085	7,504	7,746
	435	342	329	357	375	421
	1,374	1,617	2,181	1,859	1,567	1,929
	-	-	-	244	175	81
	657	875	371	-	-	-
	48,260	46,536	45,568	47,877	52,128	52,392
	24,312	23,743	24,269	23,114	25,661	26,174
	140	322	163	147	232	187
	692	616	556	540	486	559
	186	195	181	185	169	200
	122	136	125	111	111	196
	804	759	725	688	702	735
	26,256	25,771	26,019	24,785	27,361	28,051
	74,516	72,307	71,587	72,662	79,489	80,443
	3,041	2,853	2,684	3,045	3,221	3,151
	1,873	1,972	2,049	2,030	1,992	2,132
	180	57	162	44	207	66
	2,471	2,347	2,532	2,777	3,041	2,852
	7	10	2	3	3,887	3,983
	1,989	1,906	1,853	2,040	1,751	1,767
	21	-	-	-	-	-
	757	710	816	814	845	848
	-	-	-	-	-	-
	12,515	10,173	17,154	9,957	9,836	10,250
	80	94	309	16	26	26
	22,934	20,122	27,561	20,726	24,806	25,075

continued...

Table 2
Unaudited

2012	2013	2014	2015	2016	2017
\$ 21,600	\$ 20,949	\$ 21,576	\$ 23,487	\$ 21,547	\$ 23,103
1,117	1,074	1,088	1,300	1,138	1,123
611	556	497	457	491	443
244	290	199	406	289	297
170	178	167	151	150	271
258	268	277	276	284	271
285	157	165	159	158	243
-	-	129	36	-	89
24,285	23,472	24,098	26,272	24,057	25,840
47,219	43,594	51,659	46,998	48,863	50,915
(25,326)	(26,414)	(18,007)	(27,151)	(27,322)	(27,317)
(1,971)	(2,299)	(1,921)	1,487	(3,304)	(2,211)
(27,297)	(28,713)	(19,928)	(25,664)	(30,626)	(29,528)
21,204	22,476	22,334	22,461	22,882	23,430
505	620	1,636	203	491	656
238	658	2,223	2,830	597	277
1,350	1,210	1,225	1,243	1,260	1,945
23,297	24,964	27,418	26,737	25,230	26,308
1,438	2,090	2,049	2,115	2,109	2,322
301	370	542	398	265	434
81	187	518	638	236	981
(1,350)	(1,210)	(1,225)	(1,243)	(1,260)	(1,945)
470	1,437	1,884	1,908	1,350	1,792
23,767	26,401	29,302	28,645	26,580	28,100
(2,029)	(1,450)	9,411	(414)	(2,092)	(1,008)
(1,501)	(862)	(37)	3,395	(1,954)	(419)
\$ (3,530)	\$ (2,312)	\$ 9,374	\$ 2,981	\$ (4,046)	\$ (1,427)

concluded

BAY COUNTY, MICHIGAN

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011
General fund				
Reserved	\$ 3,172	\$ 5,665	\$ 5,323	\$ -
Unreserved	4,123	3,982	4,993	-
Nonspendable	-	-	-	469
Restricted	-	-	-	203
Committed	-	-	-	5,228
Assigned	-	-	-	5,407
Unassigned	-	-	-	-
Total general fund	7,295	9,647	10,316	11,307
All other governmental funds				
Reserved	6,774	2,500	1,810	-
Unreserved - Special revenue funds	7,080	7,938	7,263	-
Nonspendable	-	-	-	8
Restricted	-	-	-	5,950
Committed	-	-	-	1,899
Assigned	-	-	-	312
Total all other governmental funds	\$ 13,854	\$ 10,438	\$ 9,073	\$ 8,169

Note 1: The County implemented GASB 54 in 2011. Prior years were not restated.

Note 2: Variance may exist from the governmental funds balance sheet to this statistical table due to rounding.

Table 3
Unaudited

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
209	626	1,222	1,622	1,650	1,510
199	170	168	174	198	171
5,054	4,943	4,943	5,148	6,779	6,824
7,134	6,681	1,183	547	1,167	4,317
-	-	-	6,064	4,184	2,496
<u>12,596</u>	<u>12,420</u>	<u>7,516</u>	<u>13,555</u>	<u>13,978</u>	<u>15,318</u>
-	-	-	-	-	-
-	-	-	-	-	-
17	1,872	1,880	1,918	60	27
5,455	29,531	20,131	11,666	13,946	11,885
1,431	-	-	-	-	-
535	1,793	2,407	1,601	711	2,921
<u>\$ 7,438</u>	<u>\$ 33,196</u>	<u>\$ 24,418</u>	<u>\$ 15,185</u>	<u>\$ 14,717</u>	<u>\$ 14,833</u>

BAY COUNTY, MICHIGAN

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2008	2009	2010	2011
Revenues				
Property taxes	\$ 22,850	\$ 23,122	\$ 22,479	\$ 21,459
Special assessments (1)	-	-	-	-
Licenses and permits	350	362	375	382
Federal	3,714	4,509	5,589	9,892
State	3,404	2,881	3,297	4,811
Interest, rents and royalties	1,882	1,531	1,305	1,357
Charges for services	3,055	2,824	2,806	2,795
Fines and forfeits	740	631	641	536
Reimbursements, refunds and other revenue (1)	6,554	6,990	6,615	7,506
Total revenues	42,549	42,850	43,107	48,738
Expenditures				
General government	9,789	8,959	9,753	14,279
Public safety	10,594	11,448	11,634	12,008
Community and economic development	138	188	184	237
Health and welfare	10,575	10,303	10,521	10,446
Public works	8	10	7	6
Judicial	6,081	6,103	6,224	6,221
Legislative	459	533	522	450
Recreation and culture	2,089	1,762	1,739	1,753
Other functions	1,155	1,235	1,400	1,573
Capital outlay	-	-	-	-
Debt service:				
Principal	2,234	3,514	1,863	1,718
Interest and other fees	1,082	993	856	776
Total expenditures	44,204	45,048	44,703	49,467
Excess of revenues over (under) expenditures	(1,655)	(2,198)	(1,596)	(729)
Other financing sources (uses)				
Transfers in	8,669	11,982	8,584	4,778
Payment to escrow agents to refund debt	-	-	-	-
Insurance recoveries/proceeds	3	18	36	4
Issuance of debt	43	-	-	-
Proceeds of refunding bonds	-	-	-	-
Bond premium	-	-	-	-
Transfers (out)	(7,692)	(10,867)	(7,718)	(3,967)
Total other financing sources (uses)	1,023	1,133	902	815
Net change in fund balances	\$ (632)	\$ (1,065)	\$ (694)	\$ 86
Debt service as a percentage of noncapital expenditures	7.76%	10.17%	6.30%	5.27%

Note: Variance may exist from the governmental funds statement of revenues, expenditures and changes in fund balances to this statistical table due to rounding.

(1) Special assessment revenue broken out from reimbursements, refunds and other revenue starting in fiscal 2016.

Table 4
Unaudited

2012	2013	2014	2015	2016	2017
\$ 21,270	\$ 22,472	\$ 22,359	\$ 22,481	\$ 22,894	\$ 23,441
-	-	-	-	3,885	3,980
407	423	403	468	464	511
6,930	4,560	9,859	3,853	3,940	4,036
4,908	4,805	6,775	5,223	5,172	5,282
1,329	1,397	2,370	1,087	1,248	1,398
2,906	2,847	2,780	2,941	2,761	2,946
584	546	527	639	532	587
6,809	7,080	8,961	9,704	8,007	7,397
45,143	44,130	54,034	46,396	48,903	49,578
12,749	11,209	9,835	10,331	10,360	10,640
10,813	11,264	10,601	10,540	10,830	11,371
298	352	161	173	223	231
10,565	10,195	10,946	11,064	11,319	11,403
4	4,764	44	2	955	780
6,087	6,305	6,236	6,259	6,198	6,432
445	354	330	354	371	413
1,588	1,623	1,984	1,825	1,944	1,827
1,263	1,508	1,667	1,697	1,656	1,559
-	-	36,151	17,951	431	40
1,888	1,830	1,930	2,030	3,240	2,755
663	651	1,954	2,280	2,697	2,665
46,363	50,055	81,839	64,506	50,224	50,116
(1,220)	(5,925)	(27,805)	(18,110)	(1,321)	(538)
6,083	6,433	5,949	6,144	6,338	6,876
(10,655)	-	-	-	-	-
10	7	5	11	-	38
-	-	18,572	7,963	-	-
9,775	30,000	-	-	-	-
1,004	(43)	-	-	-	-
(4,733)	(4,890)	(4,718)	(4,885)	(5,063)	(4,920)
1,484	31,507	19,808	9,233	1,275	1,994
\$ 264	\$ 25,582	\$ (7,997)	\$ (8,877)	\$ (46)	\$ 1,456
5.60%	5.50%	5.05%	9.54%	12.03%	11.03%

Governmental Activities Tax Revenue By Year

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax
2008	\$ 22,901,469
2009	23,142,073
2010	22,412,007
2011	21,444,988
2012	21,203,689
2013	22,475,803
2014	22,333,712
2015	22,461,189
2016	22,882,462
2017	23,431,134

BAY COUNTY, MICHIGAN

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended December 31,	Real Property		Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial			
2008	\$ 2,208,155	\$ 439,016	\$ 263,457	\$ 2,910,628	10.8138
2009	2,083,021	439,556	269,701	2,792,278	10.8138
2010	1,930,888	398,920	251,310	2,581,118	10.7138
2011	1,884,708	394,747	249,238	2,528,693	10.8138
2012	1,850,561	394,855	270,064	2,515,480	11.4638
2013	1,819,824	392,452	281,567	2,493,843	11.4638
2014	1,878,624	381,200	277,453	2,537,277	11.4638
2015	1,879,325	371,950	294,062	2,545,337	11.4638
2016	1,940,345	370,281	245,516	2,556,142	11.6138
2017	1,969,223	388,729	219,610	2,577,562	11.2138

Source: Bay County Equalization Department

Note: Property in the County is reassessed annually. The County assesses property at approximately 50 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages.

Tax rates are per \$1,000 of taxable value.

Table 6
Unaudited



	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
\$	5,821,256	50.00%
	5,584,556	50.00%
	5,162,236	50.00%
	5,057,386	50.00%
	5,030,960	50.00%
	4,987,686	50.00%
	5,074,554	50.00%
	5,090,674	50.00%
	5,112,284	50.00%
	5,155,124	50.00%

BAY COUNTY, MICHIGAN

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year (1) (2)	Bay County				Overlapping Rates		
	Operating Millage	Special Millage	Debt Millage	Total County Millage	SET Schools (3)	Inter-mediate Schools	Community College
2008	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2009	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2010	5.7257	4.9881	0.0000	10.7138	6.0000	0.1891	2.0427
2011	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2012	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2013	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2014	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2015	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2016	5.7257	5.8881	0.0000	11.6138	6.0000	0.1891	2.0427
2017	5.7257	5.4881	0.0000	11.2138	6.0000	0.1891	2.0427

Source: Bay County Equalization Department

- (1) Rates reduced to comply with the Headlee Amendment.
- (2) This is the year in which the tax is levied. 2006 refers to the 2007 tax collection, 2007 refers to the 2008 tax collection, and so on.
- (3) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax with the exception of 2003 which was reduced to 5 mills.

** Does not include DDA millage. Add 1.9260 in the City of Bay City and 1.0000 in the City of Essexville for properties in the DDA district and 2.0000 in the City of Midland for properties in the DDA district.

Table 7
Unaudited



Overlapping Rates						
Townships	Cities					Total Direct & Overlapping Rates
	Auburn	Bay City	Essexville	Pinconning	Midland	
1.3500	13.0000	19.5503	15.7389	14.6737	12.9900	96.3485
1.3500	13.0000	19.5503	16.5931	14.6737	13.9400	98.1527
1.3500	12.0000	19.5503	16.8753	14.6736	13.9400	97.3348
1.3500	12.0000	19.5503	17.4877	14.6736	14.7900	98.8972
1.3500	12.0000	20.0935	19.1300	14.6736	14.7900	101.7327
1.3500	12.0000	21.3365 **	20.3000 **	14.6736	15.0800 **	104.4357
1.3500	12.0000	21.3365 **	20.7000 **	14.6736	15.0400 **	104.7957
1.3500	12.0000	21.3365 **	21.4172 **	14.6736	15.0000 **	105.4729
1.3500	12.0000	21.1865 **	23.8431 **	14.6736	15.0000 **	107.8988
1.3500	13.5000	21.4085 **	16.1431 **	14.6736	15.1385 **	101.6593

BAY COUNTY, MICHIGAN

Table 8
Unaudited

Principal Property Taxpayers

December 31, 2017 and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	\$ 180,972,311	1	6.56%	\$ 265,810,124	1	8.67%
Dow Corning Corporation	52,674,975	2	1.91%	58,762,274	3	1.92%
Michigan Electric Transmission	24,536,949	3	0.89%			
Monitor/ Michigan Sugar	16,139,164	4	0.58%	26,843,582	5	0.88%
SSP Development LLC	14,979,672	5	0.54%			
Enbridge Energy	14,239,961	6	0.52%			
S C Johnson	11,653,650	7	0.42%	43,281,811	4	1.41%
Mersen USA	11,471,273	8	0.42%			
Meijer/Good Will Co, Inc	8,633,879	9	0.31%	10,498,542	7	0.34%
Corporate Property/ Tubular Met	6,511,997	10	0.24%	6,378,422	10	0.21%
General Motors/Delphi				68,558,250	2	2.24%
Bay City Mall Associates				11,182,145	6	0.36%
The Herald Company				9,924,692	8	0.32%
Wal-Mart Real Estate				6,576,911	9	0.21%
Totals	<u>\$ 341,813,831</u>		<u>12.39%</u>	<u>\$ 507,816,753</u>		<u>16.56%</u>

Source: Bay County Equalization Department

BAY COUNTY, MICHIGAN

Table 9
Unaudited

Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2008	\$ 17,333	\$ 16,498	95.18%	\$ 796	\$ 17	\$ 17,311	99.87%
2009	17,402	16,545	95.08%	820	19	17,384	99.90%
2010	16,618	15,864	95.46%	732	16	16,612	99.96%
2011	16,276	15,578	95.71%	670	17	16,265	99.93%
2012	16,177	15,560	96.19%	602	14	16,176	99.99%
2013	16,042	15,372	95.82%	656	11	16,039	99.98%
2014	16,597	15,883	95.70%	654	7	16,544	99.68%
2015	16,542	15,878	95.99%	636	8	16,522	99.88%
2016	16,101	14,984	93.06%	583	5	15,572	96.71%
2017	15,469	14,868	96.11%	582	*	15,450	99.88%

Source: Bay County Treasurer

* This information is not yet available.

BAY COUNTY, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended December 31,	Governmental Activities					Business-Type Activities
	General Obligation Bonds	Unamortized Bond Prem/ Discount	Installment Purchase Contracts	DWFR Loans	Revenue Bonds	Miscellaneous Payables
2008	\$ 22,470,000	\$ 224,825	\$ 34,200	\$ -	\$ -	\$ 39,382
2009	18,965,000	195,343	25,650	-	-	-
2010	17,110,000	165,861	17,100	-	-	-
2011	15,400,000	136,378	8,550	-	-	-
2012	12,810,000	999,535	-	-	-	-
2013	10,980,000	817,024	-	-	30,000,000	-
2014	9,050,000	677,565	-	18,572,473	30,000,000	-
2015	7,020,000	537,926	-	26,535,285	30,000,000	-
2016	5,255,000	409,320	-	25,485,000	29,575,000	-
2017	4,010,000	299,163	-	24,415,000	29,135,000	-

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

There are currently no outstanding debt issues in the business-type activities of the primary government.

(1) See Statistical Table Number 15 for personal income and population data.

(2) This information is not yet available.

Table 10
Unaudited



	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	22,768,407	6.50%	212
	19,185,993	5.56%	179
	17,292,961	4.89%	160
	15,544,928	4.23%	145
	13,809,535	3.68%	129
	41,797,024	11.09%	391
	58,300,038	15.08%	549
	64,093,211	16.01%	607
	60,724,320	14.71%	580
	57,859,163	(2)	555

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Unamortized Bond Prem/Discount	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Taxable Value of Property (1)	Per Capita (2)
2008	\$ 22,470,000	\$ 224,825	\$ 763,168	\$ 21,931,657	0.72%	204
2009	18,965,000	195,343	819,711	18,340,632	0.59%	171
2010	17,110,000	165,861	19,557	17,256,304	0.58%	160
2011	15,400,000	136,378	21,233	15,515,145	0.53%	145
2012	12,810,000	999,535	65,394	13,744,141	0.47%	129
2013	10,980,000	858,473	85,397	11,753,076	0.41%	110
2014	9,050,000	717,411	112,545	9,654,866	0.34%	91
2015	7,020,000	576,349	116,548	7,479,801	0.26%	71
2016	5,255,000	446,320	133,085	5,568,235	0.20%	53
2017	4,010,000	299,163	21,824	4,287,339	0.15%	41

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

- (1) Estimated taxable value data is the consolidation of the SEV and taxable values provided by the equalization department.
- (2) See Statistical Table Number 15 for population data. Changed in 2015 to reflect estimated population 2011 forward.

BAY COUNTY, MICHIGAN

Table 12
Unaudited

Direct and Overlapping Governmental Activities Debt

As of December 31, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt repaid with property taxes: County	\$ 201,446,254	69.62%	\$ 140,244,254
Bay County direct debt			<u>57,859,163</u>
Total direct and overlapping debt			<u><u>\$ 198,103,417</u></u>

Sources: Debt outstanding and estimated share of overlapping debt provided by Municipal Advisory Council of Michigan

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Bay County. This process recognizes that, when considering the government's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) Applicable percentages were estimated by determining the portion of the County's taxable value that is within the government's boundaries and dividing it by the County's total taxable value.

BAY COUNTY, MICHIGAN

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2008	2009	2010	2011
Debt limit	\$ 349,326	\$ 340,504	\$ 318,657	\$ 314,921
Total net debt applicable to limit	<u>31,414</u>	<u>26,016</u>	<u>29,328</u>	<u>23,191</u>
Legal debt margin	<u>\$ 317,912</u>	<u>\$ 314,488</u>	<u>\$ 289,329</u>	<u>\$ 291,730</u>
Total net debt applicable to the limit as a percentage of debt limit	8.99%	7.64%	9.20%	7.36%

Note: Under state finance law Bay County's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) Includes primary government and component units.

Table 13
Unaudited

2012	2013	2014	2015	2016	2017
\$ 312,200	\$ 312,288	\$ 319,199	\$ 321,730	\$ 324,088	\$ 326,989
<u>20,501</u>	<u>48,076</u>	<u>63,920</u>	<u>67,627</u>	<u>65,167</u>	<u>61,872</u>
<u>\$ 291,699</u>	<u>\$ 264,212</u>	<u>\$ 255,279</u>	<u>\$ 254,103</u>	<u>\$ 258,921</u>	<u>\$ 265,117</u>
6.57%	15.39%	20.03%	21.02%	20.11%	18.92%

Legal Debt Margin Calculation for Fiscal Year 2017

State equalized value of real property		\$ 3,050,275
State equalized value of personal property		<u>219,610</u>
Total state equalized value		3,269,885
Debt limit (10% of total state equalized value)		326,989
Debt applicable to limit: (1)		\$ 63,025
Less:		
Assets in debt service funds available for payment of principal	\$ 22	
Debt not subject to legal debt limit:		
Special assessment debt	<u>1,131</u>	
Total deductions		<u>1,153</u>
Total amount of debt applicable to debt limit		<u>61,872</u>
Legal debt margin		<u>\$ 265,117</u>

BAY COUNTY, MICHIGAN

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Operating Revenue (2)	Operating Expenses (3)	Net Available Revenue	Debt Service (4)	
				Principal	Interest
Water Supply System No. 1 Revenue Bonds (1)					
2008	\$ -	\$ -	\$ -	\$ -	\$ -
2009	-	-	-	-	-
2010 (5)	3,742,001	2,650,154	1,091,847	-	64,794
2011 (5)	4,136,205	2,769,142	1,367,063	180,000	183,669
2012 (5)	4,308,937	2,961,525	1,347,412	185,000	180,069
2013 (5) (6)	4,373,619	2,878,647	1,494,972	190,000	176,369
2014 (5) (6)	4,584,579	3,191,548	1,393,031	195,000	1,677,652
2015 (5) (6)	5,885,223	4,185,567	1,699,656	200,000	1,676,969
2016 (5) (6)	11,360,745	5,645,889	5,714,856	630,000	1,671,969
2017 (5) (6)	11,810,699	5,674,620	6,136,079	650,000	1,648,819

Note: Details regarding Bay County's outstanding debt can be found in the notes to the financial statements.

(1) Includes component unit - Department of Water and Sewer.

(2) Includes Department of Water and Sewer revenues, less all non-operating revenue except interest earned.

(3) Includes Department of Water and Sewer revenues, less depreciation and interest expense on bonded debt.

(4) Debt service requirements are met with net revenue available for debt service and net position.

(5) Includes the Water Supply West Side Regional Sewage Disposal System Revenue Bonds, Series 2010.

(6) Includes the Michigan Finance Authority Bay County 2013 Local Government Loan Program Revenue Bonds.

Table 14
Unaudited



Total	Coverage
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\$ -	-
-	-
64,794	16.85
363,669	3.76
365,069	3.69
366,369	4.08
1,872,652	0.74
1,876,969	0.91
2,301,969	2.48
2,298,819	2.67

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2008	107,597	\$ 3,332,427	\$ 30,971	15,017	7.90%
2009	107,434	3,443,912	32,056	14,792	11.60%
2010	107,771	3,532,857	32,781	14,798	11.90%
2011	107,229	3,677,507	34,296	14,420	9.80%
2012	106,890	3,750,645	35,089	14,320	8.70%
2013	106,832	3,770,457	35,293	13,958	9.10%
2014	106,179	3,866,902	36,419	13,751	7.10%
2015	105,659	4,002,825	37,884	13,442	5.50%
2016	104,747	4,127,462	39,404	13,513	5.20%
2017	104,239	(5)	(5)	13,462	5.60%

Data Sources:

- (1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2010 which reflects the actual census.
- (2) Bureau of Economic Analysis, per capita income was computed using Census Bureau midyear population estimates. Amounts expressed in thousands.
- (3) Local school districts
- (4) U.S. Department of Labor Bureau of Labor Statistics Data - Unemployment rate information is a yearly average not seasonally adjusted.
- (5) Personal data not available at this time.

BAY COUNTY, MICHIGAN

Principal Employers

2017 and Nine Years Ago

Employer	2017		Percentage of Total County Employment
	Employees	Rank	
McLaren - Bay Region (1)	2,083	1	4.80%
The Dow Chemical Corporation	1,160	2	2.67%
Delta College	957	3	2.21%
Michigan Sugar Company (3)	900	4	2.07%
Bay City Public Schools (2)	875	5	2.02%
Bay County	593	6	1.37%
Meijer Inc.	550	7	1.27%
Consumers Energy	457	8	1.05%
General Motors Powertrain	392	9	0.90%
Bay Medical Care Facility	365	10	0.84%
SC Johnson			
Totals	<u>8,332</u>		<u>19.21%</u>

Source:

Bay Future

(1) Previously Bay Regional Medical Center and Bay Health Systems.

(2) Excludes substitute teachers.

(3) Figure represents peak manufacturing/industry seasons.

Table 16
Unaudited

2008		
Employees	Rank	Percentage of Total County Employment
1,773	1	3.51%
1,300	2	2.58%
948	5	1.88%
1,270	3	2.52%
1,075	4	2.13%
500	8	0.99%
585	6	1.16%
515	7	1.02%
415	10	0.82%
430	9	0.85%
<u>8,811</u>		<u>17.45%</u>

BAY COUNTY, MICHIGAN

Full-time Equivalent Government Employees by Function/Program

Last Ten Fiscal Years

	2008	2009	2010	2011
Function				
Public safety	118	118	113	112
Community and economic development	6	6	2	2
Health and welfare	136	136	77	73
General government	108	107	90	88
Judicial	91	91	81	79
Legislative	12	12	1	1
Recreation and culture	24	24	10	8
100% tax payment	2	2	2	2
Golf course	6	6	3	3
Total	503	502	379	368

Source: Bay County Payroll Department

Note: There are no full-time equivalent positions in the public works or commissary functions.

Full-time equivalent positions are not available for Medical Care Facility and Housing Department.

Table 17
Unaudited

2012	2013	2014	2015	2016	2017
111	111	112	109	101	115
2	2	1	2	2	1
68	68	75	71	70	70
86	88	89	84	90	93
78	78	77	77	77	75
1	-	-	-	-	-
8	8	7	9	11	11
2	2	2	2	2	2
3	3	1	1	2	2
<u>359</u>	<u>360</u>	<u>364</u>	<u>355</u>	<u>355</u>	<u>369</u>

BAY COUNTY, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

	2008	2009	2010	2011
Function				
Public safety				
Number of incarcerated offenders	4,276	4,073	4,081	3,813
Health and welfare				
Division on aging				
Meal site meals served	44,166	49,625	42,276	40,148
Home delivered meals served	159,060	158,664	127,789	118,672
Public works				
Number of parking spaces leased	126	122	126	252
Judicial				
Circuit court total caseload	4,076	3,999	4,121	4,064
District court total caseload	27,862	27,546	26,099	24,178
Probate court total caseload	780	820	882	871
Recreation and culture				
Swimming pool admissions (1)	6,006	5,897	4,591	3,124
Medical care facility				
Patient days	74,483	70,006	87,873	73,896
Patient admits	144	124	283	350
Golf course				
Memberships	181	210	196	154
Housing				
Number of lease days	35,892	35,999	36,088	36,017

Sources: Michigan Department of Corrections, State of Michigan Court Caseload Report, and County departments.

Note: Indicators are not available for the general government, legislative functions, community and economic development, 100% tax payment and commissary functions.

(1) This information contains some approximate values.

Table 18
Unaudited

2012	2013	2014	2015	2016	2017
4,032	4,057	4,392	4,350	4,205	4,298
37,867	37,928	36,404	36,644	35,687	39,987
119,732	125,007	136,849	146,632	146,109	141,358
151	319	66	101	69	91
3,873	3,594	3,212	3,121	3,241	3,175
25,720	24,612	23,635	25,641	21,452	23,832
848	791	882	960	823	879
3,033	4,150	3,935	4,100	4,460	3,786
69,984	84,709	78,222	64,497	100,287	88,648
102	131	145	132	139	115
193	176	131	118	105	104
35,261	35,607	36,096	36,067	36,221	35,983

BAY COUNTY, MICHIGAN

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

	2008	2009	2010	2011
Function				
Public safety				
Sheriff				
Stations	1	1	1	1
Vehicles	28	24	25	23
Boats	3	3	3	3
Animal control				
Vehicles	4	3	3	4
Community and economic development				
Streets (miles)	1,565	1,565	1,566	1,566
Traffic signals	108	108	108	109
Health and welfare				
Division on aging				
Meal sites	7	7	5	5
Mosquito control				
Vehicles	31	32	31	31
Public works				
Pere Marquette/Madison Avenues				
Parking spaces available for lease	432	432	264	264
Recreation and culture				
Parks (1)	3	3	3	3
Medical care facility				
Beds	206	206	206	206
Golf course				
Golf carts	54	53	53	53
Housing				
Apartments	100	100	100	100

Sources: County departments

Note: No capital asset indicators are available for the general government, judicial, legislative, 100% tax payment or commissary functions.

Not all historical information is available, this table will continue to be populated as more information becomes available.

(1) Euclid/Linear Park was leased out beginning in 2013. In 2014, two additional pieces of undeveloped land were purchased, but are not maintained.

Table 19
Unaudited

2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
25	34	35	34	32	33
3	3	3	3	3	2
4	5	5	5	4	3
1,567	1,567	1,568	1,574	1,575	1,574
109	109	109	108	107	107
5	5	5	5	5	5
32	32	32	33	32	33
264	264	264	264	264	264
3	3	5	5	5	5
206	206	206	206	206	206
53	53	53	53	53	53
100	100	100	100	100	100